

Exhibit 23

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

1 UNITED STATES DISTRICT COURT

2 SOUTHERN DISTRICT OF NEW YORK

3
4 SECURITIES AND EXCHANGE)
COMMISSION,)

5)
6 Plaintiff,)

7 v.)

Case No.:

20-Civ-10832 (AT) (SN)

8 RIPPLE LABS, INC., BRADLEY)
GARLINGHOUSE, and CHRISTIAN)
9 LARSEN,)

10 Defendants.)
11 _____)

12
13 **HIGHLY CONFIDENTIAL UNDER PROTECTIVE ORDER**

14
15 VIDEOTAPED DEPOSITION OF

16 PETER DOUGLAS EASTON

17 Friday, December 8, 2021

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21
22
23 Reported by:
24 BRIDGET LOMBARDOZZI,
CSR, RMR, CRR, CLR
25 Job No. 211208BLO

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE)
COMMISSION,)
)
Plaintiff,)
) Case No.:
v.) 20-Civ-10832 (AT) (SN)
)
RIPPLE LABS, INC., BRADLEY)
GARLINGHOUSE, and CHRISTIAN)
LARSEN,)
)
Defendants.)
_____)

Videotaped deposition of PETER DOUGLAS EASTON
taken on behalf of Plaintiff, held at the offices of
Debevoise & Plimpton, 919 Third Avenue, New York, New
York, commencing at 9:07 a.m. and ending at 4:22 p.m., on
Wednesday, December 8, 2021, before Bridget Lombardozzi,
CCR, RMR, CRR, CLR, and Notary Public of the States of
New York and New Jersey, pursuant to notice.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

1 A P P E A R A N C E S (Via Remote where indicated):

2
3
4 For the Plaintiff:

5
6
7 UNITED STATES SECURITIES AND EXCHANGE COMMISSION

8 NEW YORK REGIONAL OFFICE

9 BY: PASCALE GUERRIER, ESQUIRE

10 MARK SYLVESTER, ESQUIRE

11 200 Vesey Street

12 Suite 400

13 New York, New York 10281-1022

14 Telephone: 212.336.0153

15 Email: guerrierp@sec.gov

16 sylvesterm@sec.gov
17
18
19
20
21
22
23
24
25

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

1 A P P E A R A N C E S (Continued):

2
3 For Defendant Ripple Labs Inc. and the Witness:

4
5 KELLOGG, HANSEN, TODD, FIGEL & FREDERICK PLLC

6 BY: BETHAN JONES, ESQUIRE

7 REID FIGEL, ESQUIRE

8 Sumner Square

9 1615 M Street, N.W.

10 Suite 400

11 Washington, D.C. 20036

12 Telephone: 202.326.7999

13 E-mail: Bjones@kellogghansen.com

14 Rfigel@kellogghansen.com

15
16
17 For Defendant Bradley Garlinghouse:

18
19 CLEARY GOTTlieb STEEN & HAMILTON

20 BY: SAMUEL LEVANDER, ESQUIRE

21 One Liberty Plaza

22 New York, New York 10006

23 Telephone: 212.225.2951

24 E-mail: Slevander@cgsh.com

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

1 For Defendant Christian A. Larsen:

2
3 PAUL, WEISS, RIFKIND, WHARTON & GARRISON LLP

4 BY: ELI J. ADELMAN, ESQUIRE

5 ROBIN LINSENMAYER, ESQUIRE (Remote)

6 1285 Avenue of the Americas

7 New York, New York 10019-6064

8 Telephone: 212.373.3067

9 E-mail: Eadelman@paulweiss.com

10 rlinsenmayer@paulweiss.com

11
12 ALSO PRESENT:

13
14 STELLA UVAYDOVA, Paralegal, SEC

15 DAVID SHERECK, Videographer
16 Shereck Video Service
17
18
19
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HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

1	INDEX		
2	WITNESS		EXAMINATION
3	PETER DOUGLAS EASTON		
4	BY MS. GUERRIER		9
5			
6			
7			
8	EXHIBITS		
9	SEC		
10	NUMBER	DESCRIPTION	PAGE
11			
12	Exhibit 2	Expert Report of Peter	14
13		Easton dated 10-4-21	
14		NO BATES, 59 pages	
15			
16	Exhibit 3	Expert Rebuttal Report of	149
17		Peter Easton dated 11-12-21	
18		NO BATES, 21 pages	
19			
20			
21			
22			
23			
24			
25			

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

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2
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4
5
6
7
8
9
10
11
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13
14
15
16
17
18
19
20
21
22
23
24
25

DEPOSITION SUPPORT INDEX

DIRECTION TO WITNESS NOT TO ANSWER

Page	Line
31	22
32	13
33	13

STIPULATIONS

Page	Line
9	13

PORTION MARKED HIGHLY CONFIDENTIAL

Page	Line
- -none-	-

REQUEST FOR DOCUMENTS

Page	Line
- -none-	-

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

1 - - -

2 9:07 a.m.

3 December 8, 2021

4 - - -

09:06:46 5 THE VIDEOGRAPHER: Okay.

6 We're on the record. The time is
7 approximately 9:07 a.m. Today's date
8 is Wednesday, December 9th (sic),
9 2021. This is the video deposition
09:07:00 10 of Peter Easton in the matter of the
11 Securities and Exchange Commission
12 versus Ripple Labs, et al. Case
13 number is 20-civ-10832 in the United
14 States District Court, Southern
09:07:14 15 District of New York.

16 My name is David Shereck,
17 certified legal videographer with Shereck
18 Video in association with Gradillas Court
19 Reporting of Glendale, California. We're
09:07:24 20 located today at the office of Debevoise
21 & Plimpton -- Plimpton located at 919
22 Third Avenue, New York, New York.

23 All counsels present will be
24 noted on the stenographic record.

09:07:36 25 The court reporter today is

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:07:37 1 Bridget Lombardozzi, also with Gradillas.
2 And please swear in the witness.

3 P E T E R D. E A S T O N,
4 having been duly sworn, was examined and
09:07:42 5 testified as follows:

6 THE REPORTER: Thank you.

7 You may proceed.

8 MS. JONES: Counsel, before
9 we begin, can we quickly --

09:07:57 10 MS. LINSENMAYER: Can
11 someone please unmute the conference
12 room?

13 MS. JONES: Can we quickly
14 put on the record an objection by one
09:08:08 15 counsel is an objection for all
16 defendants' counsel?

17 MS. GUERRIER: Sure.

18 EXAMINATION

19 BY MS. GUERRIER:

09:08:22 20 Q. Okay. Good morning. Could you please
21 state your name for the record?

22 A. Peter Douglas Easton.

23 Q. Are you represented by counsel today?

24 A. No, I am not.

09:08:30 25 Q. Okay. My name is Pascal Guerrier. I'll

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09:08:32 1 be asking you questions on behalf of the SEC.

2 With me is my colleague, Mark Sylvester, and we
3 have other SEC attorneys on the Zoom call.

4 A. Okay.

09:08:46 5 Q. Have you had your deposition taken
6 before?

7 A. Yes.

8 Q. When?

9 A. Many times.

09:08:50 10 Q. Many times?

11 Do you recall the last time you had your
12 deposition taken?

13 A. About a month ago.

14 Q. Okay. Do you recall the case that you
09:09:01 15 were involved in where you had your deposition
16 taken?

17 A. Yes. I refer to it as the Adeptus case.
18 Adeptus is a health care company.

19 Q. I'm sorry?

09:09:17 20 A. I refer to it as the Adeptus case. I
21 don't recall other details that I could quote
22 right now.

23 Q. Do you recall the name of the party that
24 you were retained to --

09:09:27 25 A. Yes. Adeptus, A-D-E-P-T-U-S.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:09:36 1 Q. And what were you asked to do in that
2 case?

3 MS. JONES: Objection to
4 form.

09:09:46 5 A. I was asked to understand and report on
6 the accounting for emergency rooms in the health
7 care industry.

8 Q. Were you retained as an expert in that
9 case?

09:10:10 10 A. Yes.

11 Q. And did you provide your expert opinion
12 for the plaintiff or the defendant?

13 A. For the defendant.

14 Q. Just to give you the rules of the road
09:10:31 15 for today.

16 As the court reporter swore you in, so
17 do you understand that your testimony is under
18 oath today?

19 A. Yes.

09:10:41 20 Q. Okay. Is there anything that will
21 prevent you from testifying truthfully and
22 accurately today?

23 A. No.

24 Q. Okay. If you could please allow me to
09:10:50 25 finish my question before you answer so that we

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:10:52 1 can have a clear record. Do you understand?

2 A. Yes.

3 Q. And if you need a break, let me know and
4 I will accommodate you.

09:11:01 5 A. Okay.

6 Q. If there's a question that you don't
7 understand, also let me know and I'll rephrase it
8 or ask it so that you can understand it.

9 A. Okay.

09:11:12 10 Q. Also, please respond verbally to my
11 questions because the court reporter cannot take
12 nonverbal responses down.

13 A. Okay.

14 Q. Do you recall when you were -- do you
09:11:30 15 recall when you last testified as an expert?

16 A. In that deposition.

17 Q. Do you recall what month? what year?

18 A. It was about a month ago. I'm not sure
19 exactly the date.

09:11:48 20 MS. JONES: Counsel, I'm
21 sorry to interrupt your questioning.
22 Can we just put on the record that we
23 have a hard stop at 6 p.m. and that
24 we're willing to work with you on the
09:11:56 25 length of breaks, but we have a hard

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:11:59 1 stop at 6 p.m.?

2 MS. GUERRIER: Okay.

3 That -- that's fine. And we do know

4 that under the rules, the deposition

09:12:04 5 is a seven-hour deposition. We hope

6 to be done. Obviously we will

7 accommodate the witness, but if we

8 have to carry it over again, we will

9 just have to do that so that we can

09:12:14 10 comply and finish our deposition.

11 MS. JONES: Thank you.

12 MS. GUERRIER: Uh-huh.

13 THE WITNESS: Thank you.

14 MS. JONES: Are one of these

09:12:48 15 for Bridget?

16 MS. GUERRIER: Yes.

17 THE REPORTER: Thank you.

18 BY MS. GUERRIER:

19 Q. Mr. Easton, I've handed you what's been

09:13:11 20 premarked as Exhibit 2.

21 Do you recognize the document that I

22 just handed you?

23 A. Yes, I do.

24 Q. What is this document?

09:13:18 25 A. It is my expert -- expert report in this

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:13:20 1 case.

2 Q. Do you recall when you finalized the
3 report that's before you?

4 MS. JONES: Objection to
09:13:27 5 form.

6 A. October 4th this year.

7 Q. Have you prepared any written expert
8 reports in this case other than the one that I've
9 handed you?

09:13:42 10 A. Yes.

11 Q. What reports have you prepared?

12 A. I also prepared a rebuttal report.

13 Q. Other than the original report that I've
14 handed you and the rebuttal report, have you
09:13:54 15 prepared any other reports in the case?

16 A. No, I have not.

17 MS. GUERRIER: If you could
18 please mark the exhibit.

19 THE REPORTER: Exhibit 2.

09:14:06 20 (Whereupon, exhibit is
21 presented and marked SEC Easton
22 Deposition Exhibit 2 for identification.)

23 BY MS. GUERRIER:

24 Q. Have you finished all of the work that
09:14:09 25 you were asked to do in this case?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:14:10 1 MS. JONES: Objection to
2 form.

3 A. I have completed the work given the
4 information that I have to date.

09:14:23 5 Q. Are you planning on providing any
6 supplemental to your report?

7 A. I might if new information comes to
8 light.

9 Q. Have -- has any information come to you
09:14:39 10 since you've signed this report that has affected
11 your opinion contained in the report?

12 A. No.

13 MS. JONES: And I'm --

14 THE WITNESS: I'm sorry.

09:14:46 15 MS. JONES: -- I'm just
16 going to instruct the witness not to
17 disclose any communications with
18 counsel.

19 BY MS. GUERRIER:

09:14:55 20 Q. Are you prepared to testify about the
21 opinions that are contained in the report that's
22 been premarked as Exhibit 2?

23 A. Yes.

24 Q. Do you recall who retained you to
09:15:13 25 provide expert services in this case?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:15:17 1 A. Yes.

2 Q. Who retained you to provide expert
3 services in this case?

4 A. The law firm Kellogg.

09:15:35 5 Q. Do you know which defendant you're
6 providing the expert testimony about?

7 MS. JONES: Objection to the
8 form.

9 A. I'm sorry, I don't understand that
09:15:45 10 question.

11 Q. Okay. So do you know which defendant
12 retained you to provide expert testimony in this
13 case?

14 A. No.

09:16:04 15 Q. Do you know if you're providing
16 expert -- expert testimony on behalf of Ripple in
17 this case?

18 MS. JONES: And, Peter, if
19 you want to look at the report, go
09:16:12 20 ahead.

21 A. Oh. Yes.

22 Q. Are you providing expert testimony on
23 behalf of any other defendant in this case?

24 A. I believe I have listed that in the
09:16:30 25 report. I'd have to look and find it. And I note

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:16:47 1 in paragraph 8 Ripple Labs and two senior
2 executives.

3 Q. And who are the two senior executives?

4 A. As I sit here now, I can't -- cannot
09:17:05 5 name those two senior executives.

6 Q. Did you have any arrangements with the
7 defendants that retained you to provide expert
8 testimony concerning the fees that you would be
9 charging in this case?

09:17:16 10 MS. JONES: And I'm just
11 going to instruct you to not disclose
12 any communications or understandings
13 that you derived from counsel. If
14 you can answer that question without
09:17:25 15 disclosing communications with
16 counsel, go ahead.

17 THE WITNESS: Okay.

18 A. I really don't understand the question.
19 I'm sorry.

09:17:37 20 Q. How much are you charging for your
21 services in this case?

22 A. Oh. \$1,100 per hour.

23 Q. How much have you billed so far in this
24 case?

09:17:55 25 A. I don't know.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:17:58 1 Q. Do you keep records of the -- the
2 billings that you have in this case?

3 A. Yes.

4 Q. Okay. Where are those records?

09:18:02 5 MS. JONES: Objection to
6 form.

7 A. On my computer.

8 Q. Do you know how much you've been paid so
9 far in this case?

09:18:11 10 A. No, I do not.

11 Q. Do you know if you had a budget that was
12 set out for you in this case?

13 MS. JONES: Objection to
14 form.

09:18:29 15 And, again, do not disclose
16 communications with counsel.

17 A. I know of no budget.

18 Q. Do you know how much time you've spent
19 for the amount that you've billed to the
09:18:50 20 defendants in this case?

21 A. No, I do not.

22 Q. Do you have records of the billing that
23 you've sent to the defendants in this case?

24 A. Yes, I do.

09:19:01 25 Q. And where are those records?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:19:03 1 A. On my computer.

2 MS. JONES: Object to form.

3 THE WITNESS: Sorry.

4 Q. Do you recall the last time you were
09:19:07 5 paid in this case by the defendants?

6 A. A few weeks ago.

7 Q. Do you recall how much you were paid a
8 few weeks ago by the defendants?

9 MS. JONES: And objection to
09:19:18 10 the form.

11 A. I think in the vicinity of \$20,000.

12 Q. Do you know what the \$20,000 payment was
13 for specifically?

14 MS. JONES: Objection to
09:19:33 15 form.

16 A. It was hours spent with -- regarding the
17 case.

18 Q. And do you recall the hours spent, what
19 you spent the hours on?

09:19:48 20 MS. JONES: Objection to
21 form.

22 And I'm going to instruct you
23 not to get into any of the content or
24 substance of the drafting of the report.

09:19:55 25 THE WITNESS: Okay.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:20:01 1 A. No. As I sit here now, I don't recall
2 the detail.

3 Q. Do you keep notes of the billing that
4 you've sent out to the defendants in this case?

09:20:08 5 A. Yes.

6 Q. Do you keep details of the work that
7 you've done in this case with regards to the
8 amounts that you're billing for your work?

9 MS. JONES: Objection to
09:20:13 10 form. Asked and answered several
11 times.

12 A. I don't really know what you mean by
13 "details." I -- I do keep records.

14 Q. Well, what -- what do you keep records
09:20:27 15 of when it comes to your billing in this case?

16 MS. JONES: Objection to
17 form.

18 A. The -- the key component is the time
19 spent. That's my focus.

09:20:41 20 Q. Well, do you keep track of what you
21 spent your time on in your records?

22 MS. JONES: Objection to
23 form.

24 A. Yes.

09:20:55 25 Q. Okay. And are those records in your

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:20:56 1 possession?

2 A. Yes.

3 Q. Did you have a prior relationship with
4 any of the defendants prior to this case?

09:21:20 5 A. No.

6 MS. JONES: Objection to
7 form.

8 Peter, just remember to give me
9 a couple of seconds.

09:21:28 10 THE WITNESS: I'm sorry.

11 Q. Do you advertise yourself as an expert?

12 MS. JONES: Objection to
13 form.

14 A. No.

09:21:39 15 Q. Do you know how the defendants were able
16 to determine who you were to retain your services?

17 MS. JONES: I'm going to
18 instruct you not to disclose any
19 communications or any understandings
09:21:50 20 you learned from -- only from counsel
21 in answering that question.

22 THE WITNESS: Okay.

23 A. Yes.

24 Q. Can you tell me how they learned of your
09:21:59 25 existence for -- to retain you as an expert?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:22:01 1 MS. JONES: Same

2 instruction.

3 A. I understand that Kellogg had previously
4 been working with Compass Lexecon and asked

09:22:20 5 Compass Lexecon to suggest an accounting expert to
6 work on this case. Compass Lexecon suggested me.

7 Q. What is Compass Lexecon?

8 A. Compass Lexecon is a litigation
9 consulting firm.

09:22:45 10 Q. Are you employed by Compass Lexecon?

11 A. No.

12 Q. How did they know to refer you in this
13 case?

14 MS. JONES: Objection to
09:22:52 15 form.

16 A. I had worked with Compass Lexecon in the
17 past and so I'm known to the firm.

18 Q. How much time have you spent working as
19 an expert witness?

09:23:10 20 MS. JONES: Objection to
21 form.

22 A. It's hard to quantify that.

23 MS. JONES: Counsel, do you
24 mean in this case or in general?

09:23:25 25 MS. GUERRIER: In general.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:23:27 1 A. I'm sorry?

2 Q. In general.

3 A. Probably a day a week.

4 Q. Do you know what percentage of your

09:23:39 5 income from -- comes from your expert witness work

6 in general?

7 A. No.

8 Q. Do you mainly work with defendants?

9 MS. JONES: Objection to

09:23:55 10 form.

11 A. Yes.

12 Q. Do you have a set charge for a

13 particular type of expert service?

14 A. I have the same charge for all expert

09:24:18 15 services.

16 Q. Was the amount you charge always the

17 same amount for you as your --

18 THE REPORTER: As your?

19 Q. -- as your expert service billing rate?

09:24:35 20 A. No.

21 Q. When did you have this amount that you

22 are charging the defendants in this case?

23 MS. JONES: Objection to

24 form.

09:24:49 25 A. Could you restate the question, please?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:24:54 1 Q. Sure.

2 When did you have the amount that you're
3 charging the defendants in this case? When did
4 you set that amount?

09:24:58 5 MS. JONES: Same objection.

6 A. I'd say two years ago.

7 Q. Do you recall what your billing rate was
8 prior to two years ago?

9 A. Not for sure. I think 950.

09:25:31 10 Q. Do you have any financial relationship
11 with any of the defendants in this case?

12 MS. JONES: Objection to
13 form.

14 A. No, I do not.

09:25:41 15 Q. Are you familiar with XRP?

16 A. Yes.

17 Q. What is XRP?

18 A. XRP is a digital asset, encrypted ledger
19 formed into blocks connected via chains. Block
09:26:18 20 chains.

21 THE REPORTER: I'm not
22 getting the word. Connected flocks?

23 MS. GUERRIER: Blocks.

24 THE WITNESS: Via blocks,

09:26:22 25 I'm sorry, in a chain.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:26:24 1 BY MS. GUERRIER:

2 Q. What is the basis for your definition of
3 XRP?

4 A. Say -- say again?

09:26:32 5 Q. What is the basis of your definition of
6 XRP?

7 A. Reading, understanding the various
8 documents that describe XRP.

9 Q. Can you recall -- tell me what type of
09:26:50 10 documents that you read that described XRP?

11 A. I can't point to particular documents.
12 You know, XRP is at the center of this case and,
13 therefore, whatever I'm reading is talking about
14 XRP indirectly or directly.

09:27:15 15 Q. Were you aware of XRP prior to being
16 retained in this case?

17 A. Yes, I was.

18 Q. And how were you aware of XRP prior to
19 being retained in this case?

09:27:35 20 A. As an interested -- interested person in
21 finance.

22 Q. Do you own any XRP?

23 A. No.

24 Q. Have you ever bought any XRP?

09:27:46 25 A. No.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:27:46 1 Q. Have you ever sold any XRP?

2 A. No.

3 Q. Have you received any compensation from
4 any of the defendants in this case in the form of
09:27:56 5 XRP?

6 A. No.

7 MS. JONES: Objection to
8 form.

9 Q. Are there any plans for you to receive
09:28:04 10 any compensation for your services in the form of
11 XRP?

12 A. No.

13 Q. Do you recall when you were first con --
14 contacted by the defendants in this case?

09:28:20 15 MS. JONES: Objection to
16 form. Assumes facts not in evidence.

17 A. No, not -- not really. Probably a year
18 ago. I'm not sure.

19 Q. Do you recall who initiated the contact?

09:28:37 20 MS. JONES: Objection to
21 form.

22 A. The contact was via a person from
23 Compass Lexecon.

24 Q. Okay. Did anyone from the defendants'
09:28:58 25 side contact you directly in the beginning stages

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:29:04 1 of your relationship with the defendants?

2 MS. JONES: Objection to
3 form.

4 A. No.

09:29:10 5 Q. Did you speak to any of the defendants'
6 attorneys in the early stage of your relationship
7 with the defendants?

8 MS. JONES: I'm going to
9 instruct you to answer that question
09:29:20 10 yes or no.

11 A. Yes.

12 Q. Do you recall who you spoke with?

13 A. Yes.

14 Q. Who?

09:29:30 15 A. Reid Figel.

16 Q. Do you recall when you first spoke to
17 Mr. Figel?

18 A. No.

19 Q. Did you meet -- I'm sorry. Let me -- do
09:29:48 20 you recall your first meeting with any of the
21 defendants in this case?

22 MS. JONES: And, Peter, you
23 can answer that question yes or no,
24 but I'm going to remind you not to
09:29:58 25 testify to the -- the contents of any

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:29:59 1 communications with counsel.

2 A. Would you re -- state the question
3 again, please?

4 Q. Do you recall your first meeting with
09:30:07 5 any of the defendants in this case?

6 A. I haven't met with any of the defendants
7 in this case.

8 Q. Okay. Do you recall your first meeting
9 with any of the attorneys who represent the
09:30:21 10 defendants in this case?

11 MS. JONES: Again, I'm going
12 to instruct you to answer that yes or
13 no.

14 A. Yes.

09:30:25 15 Q. When was your first meeting with the
16 attorneys?

17 A. I don't -- I can't tell you the date.

18 Q. Was it a year ago?

19 A. Probably.

09:30:34 20 Q. How many meetings in person have you had
21 with the defendants' counsel in this case?

22 A. One.

23 Q. When was that meeting?

24 A. Yesterday.

09:30:51 25 Q. How many other meetings have you had

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:30:53 1 with the defendants' counsel in this case?

2 MS. JONES: Objection to
3 form.

4 A. Three or four probably. Two maybe.

09:31:10 5 Q. I'm sorry?

6 A. Three or four Zoom meetings.

7 Q. Do you recall the last Zoom meeting you
8 had with the defendants' counsel in this case?

9 MS. JONES: Objection to

09:31:18 10 form. Do you mean the -- the date of
11 that meeting?

12 MS. GUERRIER: My question
13 stands.

14 Q. Do you recall the last meeting you had
09:31:32 15 with the defendants' counsel in this case?

16 A. No --

17 MS. JONES: Okay. I'm going
18 to instruct you not to get into the
19 contents of any communications that
09:31:39 20 were discussed in that meeting.

21 A. I'm not sure I even recall it.

22 Q. You're not sure if you recall -- I'm
23 sorry, what?

24 A. I'm not sure that I even recall the
09:31:49 25 meeting.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:32:03 1 Q. Okay. Do you recall if you were
2 provided with any documents at any of the meetings
3 that you had with the defendants' counsel prior to
4 yesterday?

09:32:13 5 MS. JONES: I'm going to
6 instruct you to answer that yes or
7 no.

8 A. Repeat the question, please.

9 Q. Do you recall if you were provided with
09:32:25 10 any documents at any of the meetings that you had
11 with the defendants' counsel prior to yesterday?

12 A. I do recall.

13 Q. Okay. What documents were you
14 provided --

09:32:40 15 A. I wasn't provided with any.

16 Q. Were you shown any documents at any
17 meeting prior to yesterday --

18 MS. JONES: And, Counsel --

19 Q. -- by the defendants' counsel?

09:32:50 20 MS. JONES: And you can
21 testify as to what facts or
22 assumptions you were provided, but do
23 not disclose anything in addition to
24 that.

09:32:59 25 A. Would you repeat the question, please?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:33:01 1 Q. Do you recall what documents you were
2 provided with at any of the meetings that you had
3 with the defendants' counsel prior to yesterday?

4 A. I wasn't provided with documents at
09:33:11 5 those meetings.

6 Q. Okay. Were you shown documents at any
7 of the meetings that you had with defendants'
8 counsel prior to yesterday?

9 MS. JONES: I'm going to
09:33:19 10 instruct you to answer that yes or
11 no.

12 A. No.

13 Q. I'm sorry, your answer is?

14 A. No.

09:33:29 15 Q. Were you shown any documents when you
16 met with counsel yesterday?

17 MS. JONES: Same
18 instruction. I'm going to ask you --
19 direct you to answer that yes or no.

09:33:39 20 A. Yes.

21 Q. What documents were you shown?

22 MS. JONES: I'm going to
23 instruct the witness not to answer
24 that question. The -- the documents
09:33:44 25 that we've selected to show him are

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:33:46 1 work product.

2 BY MS. GUERRIER:

3 Q. Okay. Were you shown any documents that
4 you considered in writing your report?

09:33:54 5 MS. JONES: You can answer
6 that question yes or no.

7 A. At what time?

8 Q. When you met with defendants' counsel
9 yesterday.

09:34:05 10 A. Yes.

11 Q. What documents were you shown that you
12 considered when writing your report?

13 MS. JONES: I'm going to
14 object and instruct the witness not
09:34:10 15 to answer. The documents that we've
16 chosen to show him during the prep
17 sessions are work product.

18 MS. GUERRIER: Well, not the
19 documents that he considered for --
09:34:20 20 that he considered in writing his
21 report.

22 MS. JONES: You can ask him
23 what documents he -- what he
24 considered. You cannot ask him what
09:34:27 25 documents we showed him during his

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:34:28 1 prep session.

2 BY MS. GUERRIER:

3 Q. Were you shown any documents that you
4 considered in writing your report?

09:34:36 5 MS. JONES: Objection; form.
6 Counsel, you're, again, asking what
7 documents he was shown by counsel --

8 MS. GUERRIER: Make your
9 objection on the record. You don't
09:34:43 10 have to, you know -- there's nothing
11 more for you to do than make your
12 objection.

13 MS. JONES: Okay. I'm --
14 I'm going to direct you not to answer
09:34:49 15 that question.

16 MS. GUERRIER: All right.
17 Well, you're -- I'm going to move on
18 from this point.

19 BY MS. GUERRIER:

09:35:08 20 Q. When you met with counsel yesterday,
21 were you provided with any facts that you
22 considered in writing your report?

23 MS. JONES: And, Peter, I'm
24 going to direct you that you can
09:35:21 25 answer as to facts that you were

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:35:22 1 provided by counsel, but do not
2 disclose anything beyond that.

3 A. Repeat the question, please.

4 Q. When you met with counsel yesterday,
09:35:36 5 were you provided with any facts that you
6 considered in writing your report?

7 A. Yes.

8 Q. When did you receive -- well, when did
9 you receive the records for this case?

09:35:59 10 MS. JONES: Objection to
11 form.

12 A. Again, I'm sorry, I don't understand
13 that question. What do you mean by "records for
14 this case"?

09:36:13 15 Q. Did you receive any data from the
16 defendants in this case?

17 MS. JONES: Objection to
18 form.

19 A. I'm -- I'm sorry. I don't mean to be
09:36:24 20 dumb here, but what do you mean by "data"?

21 Q. Did you receive any documents from the
22 defendants in this case?

23 A. Yes.

24 Q. When did you first receive documents
09:36:35 25 from the defendants in the case?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:36:37 1 A. Excuse me. I did not receive documents
2 from the defendant. I received documents from
3 Kellogg.

4 Q. Okay. Well, from -- from defendants'
09:36:47 5 counsel.

6 When did you receive the documents from
7 defendants' counsel?

8 A. I'm guessing about 12 months ago.

9 Q. Okay. When did you first form your
09:37:09 10 opinion in -- regarding the original report that
11 you submitted in this case?

12 MS. JONES: Objection to
13 form.

14 A. I don't believe I can answer that
09:37:23 15 question.

16 Q. Why not?

17 A. An opinion is formed over a period of
18 time as one understands the material better.

19 Q. Well, the -- the opinions contained in
09:37:37 20 your report, do you recall when you finalized
21 them?

22 A. October 4th --

23 MS. JONES: Objection to
24 form. Asked and answered.

09:37:46 25 A. -- 2021.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:37:49 1 Q. Prior to October 4th, 2021, had you
2 finalized any of the opinions contained in your
3 report?

4 MS. JONES: Objection to
09:37:53 5 form.

6 A. I really don't know the answer to that
7 question.

8 Q. Why not?

9 A. I formed a final opinion on October 4th.
09:38:06 10 That's all I can say.

11 Q. Did you do anything to prepare for your
12 deposition?

13 A. Yes.

14 Q. What did you do to prepare for your
09:38:20 15 deposition?

16 MS. JONES: And, Counsel --
17 Mr. Easton, please remember not to
18 disclose any communications that you
19 had with counsel in answering that
09:38:27 20 question.

21 A. I went back and reviewed my reports and
22 the documents referred to in my reports.

23 Q. Do you recall what specific documents
24 you reviewed in preparing for the deposition?

09:38:48 25 MS. JONES: And I'm going to

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:38:50 1 instruct you not to testify as to
2 the -- the documents that you were
3 shown by counsel.

4 A. I reviewed the documents that are
09:38:59 5 referred to in my report. I think I reviewed them
6 all.

7 Q. When you say "the documents that are
8 referred to in" your report, are you referring to
9 all the documents listed in your exhibit to the
09:39:15 10 report?

11 A. Yes.

12 Q. Okay.

13 A. I may not have reviewed them all, but I
14 reviewed most of them.

09:39:23 15 Q. Okay. Were you prepared by counsel for
16 the deposition today?

17 MS. JONES: And you can
18 answer that question yes or no.

19 A. Yes.

09:39:36 20 Q. Okay. Which counsel prepared you for
21 the deposition?

22 A. Mr. Figel and Bethan, sitting to my
23 left.

24 Q. Did you speak with anyone other than
09:39:47 25 counsel about this case?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:39:54 1 A. Yes.

2 Q. Who did you speak with about this case
3 other than counsel?

4 A. Jennifer Milliron from Compass Lexecon.

09:40:01 5 Q. And who is Jennifer Milliron?

6 A. She is a exec -- executive manager at
7 Compass Lexecon.

8 Q. Are you an employee of Compass Lexecon?

9 A. No.

09:40:29 10 Q. So what did you speak with Jennifer
11 Milliron about?

12 A. She --

13 MS. JONES: And do not
14 disclose any communications that you
09:40:40 15 had with Jennifer that were in the
16 presence of counsel or at the
17 direction of counsel.

18 A. Jennifer is a expert at Compass Lexecon
19 on accounting matters and she worked under my
09:41:02 20 direction in preparing this report. And during
21 the deposition, we talked a little to refresh my
22 memory.

23 Q. Do you recall when you and Ms. Milliron
24 spoke?

09:41:24 25 MS. JONES: Objection to

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:41:24 1 form.

2 A. With respect to what?

3 Q. Well, you testified that you met with
4 her and you talked to refresh your memory.

09:41:41 5 A. Okay.

6 Q. So do you recall when you spoke with
7 her?

8 A. Over the last week or so.

9 Q. Other than Ms. Milliron, did you speak
09:41:53 10 with anyone else about the case?

11 MS. JONES: Objection to
12 form.

13 A. No.

14 Q. Did anyone help you write the report
09:42:15 15 that's been submitted as Exhibit 2?

16 A. Jennifer helped me write it under my
17 direction.

18 Q. Did counsel help you write the report
19 that you -- that's been submitted as Exhibit 2?

09:42:31 20 MS. JONES: Objection to
21 form.

22 You can answer that yes or no.

23 A. No.

24 Q. Does Appendix A to your report include
09:43:14 25 your risumi?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:43:23 1 A. I believe it is my risumi.
2 Q. Is this a complete and accurate risumi?
3 MS. JONES: Objection to
4 form.
09:43:33 5 A. It is accurate.
6 Q. Okay. Is there anything missing from
7 the risumi that should be there?
8 A. I guess there's tons of detail.
9 Q. Is there anything missing from the
09:43:42 10 risumi?
11 MS. JONES: Objection to
12 form.
13 A. I believe I answered the question.
14 Q. What was your answer, sir?
09:43:53 15 A. "There's tons of detail."
16 Q. Okay. So is there anything that you
17 kept out of this final Appendix A that you
18 submitted with your report?
19 MS. JONES: Objection to
09:44:06 20 form.
21 A. That I deliberately omitted? Is that
22 what you said?
23 Q. Yes.
24 A. No.
09:44:10 25 Q. Okay. When did you create this risumi?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:44:18 1 A. I -- I'm guessing it was in September or
2 October. Probably September of this year.

3 Q. Did you have a prior version of your
4 risumi that was prior to the September/October
09:44:34 5 timeline that you just described?

6 A. Yes.

7 Q. And is there anything different from the
8 current risumi that's attached as Appendix A to
9 your report to the one that was prior to the
09:44:49 10 September/October deadline?

11 A. Would you like me to look through and
12 see what things have changed?

13 Q. If you could please do that.

14 A. Okay. Sure.

09:45:14 15 If you look at "Research Papers," the
16 first paper was a tip of the publication and,
17 therefore, that's updated. "Who Pays Attention to
18 SEC Form 8-K?"

19 If you look at "Journal Editorial
09:45:33 20 Activities," I became editor in chief of the
21 Journal of Accounting for Sustainability and
22 Responsible Investing" and in turn stepped down as
23 editor of Review of Accounting Studies. These all
24 occurred in September or October and, therefore,
09:45:52 25 result in changes to my risumi.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:45:57 1 If you look at "Invited Presentations,"
2 I was a speaker at the Sustainable Investment
3 Forum. So that has changed. I think that's it.

4 Q. Okay. When were you a speaker at the
09:46:19 5 Sustainable Investment Forum?

6 A. September -- September 22 and September
7 29, 2021.

8 Q. Other than the education listed on your
9 Appendix A, have you had any additional education
09:47:11 10 since your last degree?

11 A. Since my Ph.D.?

12 Q. Yes.

13 A. No.

14 Q. What did you obtain a Ph.D. in in 1984?

09:47:27 15 A. Officially business administration,
16 majoring in accounting and finance.

17 Q. And what was the degree that you
18 obtained in 1980 from the University of New
19 England?

09:47:45 20 A. It was a diploma of financial
21 management.

22 Q. What was the degree that you obtained in
23 1978 from the University of South Australia?

24 A. This is a degree in teaching adults.

09:48:16 25 Q. And you obtained a degree in 1978 from

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:48:18 1 the University of Adelaide.

2 What was that degree?

3 A. Bachelor of economics degree, majoring
4 in accounting.

09:48:30 5 Q. And what was the degree that you
6 obtained from the University of Adelaide in 1973?

7 A. Bachelor of agricultural science,
8 majoring in agricultural economics.

9 Q. Did you write any thesis for your Ph.D.
09:48:46 10 in --

11 A. Yes.

12 Q. What was the subject matter of your
13 thesis?

14 A. The subject matter was valuation of
09:48:56 15 listed securities based on expected dividends and
16 expected earnings.

17 Q. Any other thesis that you've written?

18 A. Any other thesis? Not -- well, for
19 formal education thesis, yes. At the University
09:49:22 20 of New England, I wrote a thesis on nonequity
21 investments.

22 Q. Have you had any additional training in
23 your field post-Ph.D.?

24 A. Yes.

09:49:50 25 Q. Can you start with the most recent

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:49:52 1 training that you have?

2 A. It's just been continuous. Attendance
3 at seminars.

4 Q. Is this part of a continuing education
09:50:03 5 requirement?

6 A. No. Well, it would be hard to be an
7 academic without doing it. Impossible.

8 Q. Do you recall the last educational
9 training that you had postgraduate?

09:50:21 10 A. Sorry, state the question again.

11 Q. Do you recall the last post-educational
12 training that you had?

13 A. The last seminar I attended was last
14 Friday.

09:50:32 15 Q. What was the seminar about?

16 A. The seminar was on accounting for
17 environmental, social and governments --
18 governments.

19 Q. Where was this seminar?

09:50:50 20 A. University of Miami.

21 Q. Are you currently employed?

22 A. Yes.

23 Q. Where are you currently employed?

24 A. At the University of Notre Dame.

09:51:20 25 Q. What is your role at the University of

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:51:23 1 Notre Dame?

2 A. I'm a -- excuse me. I'm a chaired
3 professor. I teach accounting. And I run -- I'm
4 the director of the center called the Center for
09:51:41 5 Accounting Research and Education.

6 Q. How long have you worked at the
7 University of Notre Dame?

8 A. I began my employment there in 2003.

9 Q. Where did you work prior to 2003?

09:52:01 10 A. At the Ohio State University.

11 Q. What was your role at Ohio State
12 University?

13 A. There I was also a chaired professor of
14 accounting.

09:52:14 15 Q. What year did you work at Ohio State
16 University?

17 A. Excuse me. I'll just look at my data.
18 So, why can't I see it? Can't be that hard. Oh,
19 it's the John J. Gerlach Professor of Accounting
09:52:45 20 from '95 to 2003.

21 Q. And prior to Ohio State University,
22 where did you work?

23 A. There I was a chaired professor at
24 Macquarie University in Australia. I was there
09:53:04 25 from 1988 to 1985.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:53:17 1 Q. Prior to the University of Adelaide,
2 where did you work?

3 A. I think you said University of Adelaide.
4 I was at Macquarie University in Australia.

09:53:30 5 Q. I'm sorry. Macquarie University in
6 Australia?

7 A. Right.

8 Q. Where did you work prior to Macquarie
9 University?

09:53:37 10 A. Prior to that, I was an assistant
11 professor at the University of Chicago.

12 Q. Do you recall the time frame where you
13 worked --

14 A. 1983 to 1988.

09:53:56 15 Q. And prior to the University of Chicago,
16 where did you work?

17 A. I was a teaching association -- a
18 teaching associate at the University of California
19 Berkeley. I was a teaching associate whilst I was
09:54:09 20 doing my Ph.D.

21 Q. Uh-huh. And what year were you --

22 A. 1979 to '83.

23 Q. Okay. I'm sorry, if you could just let
24 me finish my question so that --

09:54:17 25 A. Okay. Sorry.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:54:18 1 Q. -- the court reporter can have a clear
2 record.

3 A. I'm sorry.

4 Q. Did you say 1979 to 1983?

09:54:24 5 A. Yes.

6 Q. Do you have any professional employment
7 that's not listed on your risumi?

8 A. No.

9 Q. Now, at the University of Notre Dame
09:54:52 10 where you currently work, what courses do you
11 teach?

12 A. I teach financial statement analysis and
13 valuation.

14 Q. Have you taught any other subjects other
09:55:14 15 than financial statement analysis and valuation?

16 MS. JONES: Object to form.

17 A. Yes.

18 Q. What other topics have you taught?

19 A. I've taught introductory accounting.
09:55:30 20 I've taught management accounting. I've taught
21 several Ph.D. classes.

22 Q. Any other accounting topics that you've
23 taught at the University of Notre Dame?

24 A. I didn't teach those classes at the
09:55:55 25 University of Notre Dame. I thought your question

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:55:57 1 was had I taught any other classes.

2 Q. I meant at the -- I'm sorry if I -- at
3 the University of Notre Dame.

4 A. I have taught financial statement
09:56:05 5 analysis and valuation at the University of Notre
6 Dame.

7 Q. Have you taught any other subjects at
8 the University of Notre Dame?

9 A. No, I have not.

09:56:12 10 Q. At the Ohio State University, what
11 courses have you taught?

12 A. I taught managerial accounting, Ph.D.
13 courses in financial statement analysis, and I
14 taught managerial accounting to MBAs.

09:56:34 15 Q. What types of Ph.D. courses have you
16 taught at Ohio State University?

17 A. The Ph.D. courses were courses
18 associated with research in what is called in the
19 literature capital markets.

09:56:54 20 Q. At the University of Adelaide, what kind
21 of courses did you teach there?

22 A. I didn't teach at the University of
23 Adelaide.

24 Q. Okay. Did you teach when you were an
09:57:07 25 assistant professor at the University of Chicago?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:57:10 1 A. Yes.

2 Q. What courses did you teach --

3 A. I taught managerial --

4 Q. -- as an assistant professor --

09:57:16 5 A. I'm sorry.

6 Q. -- at the University of Chicago?

7 A. I'm sorry. I taught managerial
8 accounting.

9 Q. Anything else?

09:57:21 10 A. No.

11 Q. Do you have an area of expertise?

12 MS. JONES: Objection to
13 form.

14 A. Yes.

09:57:54 15 Q. What is your area of expertise?

16 A. My expertise is two areas of expertise:
17 Accounting and valuation.

18 Q. What is valuation?

19 A. Valuation is determining the intrinsic
09:58:17 20 worth of an entity.

21 Q. Do you consider yourself an expert in
22 the accounting of digital assets?

23 A. No.

24 Q. Have you ever taught a course, an
09:59:00 25 accounting course, about digital assets?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

09:59:02 1 A. No.

2 Q. Are all the professional organizations
3 that you belong to listed in your Appendix A?

4 A. Yes.

09:59:27 5 Q. Okay. Do you know if any of these
6 organizations have any relationships with the
7 defendants in this case?

8 MS. JONES: Objection to
9 form.

09:59:47 10 A. No.

11 Q. Are any of the memberships in the
12 organizations that you listed voluntary?

13 A. Could you point me to this list, please?
14 I'm -- I'm not aware of what you're talking about.

10:00:04 15 Q. Okay. So on Appendix A, I believe you
16 list under "Academic and Professional
17 Experience" --

18 A. Yes.

19 Q. -- "Member, Scientific Council, Center."

10:00:25 20 A. These are not professional
21 organizations.

22 Q. Okay.

23 A. They're both advisory boards.

24 Q. Do you belong to any professional
10:00:31 25 organizations?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:00:32 1 A. No.

2 Q. What's the Scientific Council, Center?

3 A. This is the council that runs the
4 economics, econometrics, finance, and accounting
10:00:49 5 at Tilburg University in the Netherlands.

6 THE REPORTER: At the
7 University of?

8 THE WITNESS: Tilburg
9 University in the Netherlands.

10:01:08 10 Q. Okay. And what is your role as a member
11 of the Scientific Council, Center?

12 A. I advise on major issues: Development
13 of Ph.D. program, staffing, allocation of funds
14 across the various departments, downsizing where
10:01:35 15 that's necessary.

16 Q. Okay. What is the Northern Trust Global
17 Investments entity that you've listed on your
18 Appendix A?

19 A. This is a large institutional investor
10:01:53 20 based in Chicago.

21 Q. And what is your role as a member of the
22 Northern Trust Global Investments advisory board?

23 A. I advise them on complex accounting
24 matters.

10:02:22 25 Q. Have you ever provided any advice

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:02:24 1 regarding digital assets to any of the -- these
2 entities that we just discussed?

3 MS. JONES: Objection to
4 form.

10:02:36 5 A. No.

6 Q. Have you provided any advice
7 regarding -- professional advice regarding
8 digital -- the accounting for digital assets to
9 any of the entities that you've listed on your
10 Appendix A?

11 A. No.

12 Q. Do you have any professional licenses?

13 A. No.

14 Q. Okay. Have you listed all of the
10:03:38 15 testimony that you have provided in the past four
16 years in your report?

17 A. Yes.

18 Q. Have you ever testified about the
19 accounting of digital assets?

10:04:03 20 A. No.

21 Q. Have you ever conducted any seminars
22 regarding the accounting for digital assets?

23 A. No.

24 Q. Have you listed all of your publications
10:04:28 25 in the last ten years in the appendix to your

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:04:31 1 report?

2 A. Yes.

3 Q. Are there any articles listed in the
4 appendix to your report concerning the accounting
10:04:45 5 for any digital assets?

6 A. No.

7 Q. Have you listed the books that you are
8 -- that you published in the appendix to your
9 report?

10:04:59 10 A. Yes.

11 Q. Are there any books that you've listed
12 concerning the accounting for digital assets?

13 A. No.

14 Q. So is there anything in the appendices
10:05:21 15 to your report that concern the accounting for
16 digital assets?

17 MS. JONES: Objection to
18 form.

19 A. Not specifically, no.

10:05:53 20 Q. Okay. With regard to the invited
21 presentations that you've listed in the appendix
22 to your report, has any of these presentations --
23 or have any of these presentations concerned the
24 accounting for digital assets?

10:06:10 25 A. No.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:06:19 1 Q. Have you ever submitted any writings
2 that were not accepted for publication?

3 A. Yes.

4 Q. Can you tell me which writings that you
10:06:29 5 submitted that were not accepted for publication?

6 A. It would be all of those listed on my
7 vitae that don't have a journal associated with
8 them.

9 Q. Have you provided any trial testimony in
10:06:59 10 the past four years regarding digital assets?

11 A. No.

12 Q. Have you provided any trial testimony
13 prior to the past four years regarding digital
14 assets?

10:07:11 15 A. No.

16 Q. Have you provided any deposition
17 testimony in the past four years regarding digital
18 assets?

19 A. No.

10:07:19 20 Q. Have you provided any deposition
21 testimony prior to the past four years regarding
22 digital assets?

23 A. No.

24 Q. Can you tell me the scope of your
10:07:50 25 assignment with regards to the opening report that

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:07:52 1 you submitted in this case?

2 MS. JONES: Objection to
3 form. And we've been going about an
4 hour.

10:07:59 5 Peter, are you -- do you want
6 to break or do you want to go a little
7 bit --

8 THE WITNESS: Let's take a
9 break.

10:08:04 10 MS. JONES: All right.
11 Well, after the question and then
12 we'll --

13 MS. GUERRIER: Let me --
14 once he answers --

10:08:06 15 THE WITNESS: I beg your
16 pardon.

17 MS. GUERRIER: No, no, not
18 at all. Once you answer the question
19 --

10:08:10 20 THE WITNESS: Please ask
21 your question again.

22 MS. GUERRIER: Okay. Sure.

23 BY MS. GUERRIER:

24 Q. So can you tell me the scope of your
10:08:14 25 assignment with regards to the opinion -- opening

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:08:17 1 report that you submitted in the case?

2 MS. JONES: And objection to
3 the form.

4 A. I believe it's clearly stated in
10:08:25 5 paragraph 9.

6 Q. Okay. Can you tell us for the record
7 what the scope of your assignment was?

8 A. Should -- should I read paragraph 9?

9 Q. If you would like to tell me the scope
10:08:36 10 of the assignment.

11 A. Okay. "I've been retained by Kellogg,
12 Hansen, Todd, Figel & Frederick, P.L.L.C, Counsel
13 for the defendant Ripple ('Counsel'), to provide
14 expert testimony in connection with this
10:08:49 15 litigation, based on my expertise as an accounting
16 professor and leading author of accounting
17 treatises, as well as my review of the record
18 evidence and other publicly available information,
19 regarding the following topics:

10:09:05 20 "How would a hypothetical purchaser or
21 holder of XRP understand the proper accounting for
22 XRP transactions based on the applicable
23 accounting guidance?

24 "Did Ripple account for the offer and
10:09:18 25 sales of XRP, as alleged in the complaint, in

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:09:22 1 accordance with the applicable accounting
2 guidance?
3 "Could Ripple," consistence with --
4 "consistent with the applicable accounting
10:09:30 5 guidance, properly account for transactions in XRP
6 as securities transactions?"
7 Q. Okay. Thank you.
8 MS. GUERRIER: We can take a
9 break now. How about --
10:09:41 10 THE WITNESS: Thank you.
11 MS. GUERRIER: -- what do --
12 MS. JONES: How long do you
13 want? Five or ten minutes?
14 THE WITNESS: Five or ten
10:09:44 15 minutes, yeah.
16 THE VIDEOGRAPHER: Going off
17 the record at 10:10.
18 (Whereupon, a recess is taken.)
19 THE VIDEOGRAPHER: Okay.
10:24:38 20 Back on the record at 10:24.
21 BY MS. GUERRIER:
22 Q. Professor Easton -- may I call you
23 professor?
24 A. Sure.
10:24:53 25 Q. Okay. Does paragraph 9 contain the

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:24:56 1 scope of your assignment in this case?

2 A. Yes.

3 Q. Okay. Did you review the complaint in
4 this case?

10:25:06 5 A. Yes.

6 Q. Are you familiar with what this case is
7 about?

8 A. Yes.

9 Q. What is this case about?

10:25:17 10 A. This is an action, the SEC against
11 Ripple Labs and others, regarding the -- whether
12 or not XRP conforms with the legal definition of a
13 security and, therefore, might fall under the SEC
14 act.

10:25:58 15 Q. Okay. Are you providing any opinion on
16 whether or not XRP is a security under the federal
17 securities laws?

18 A. No.

19 Q. Do you know whether this case involves
10:26:19 20 the treatment of XRP -- the account -- I'm sorry.

21 Do you know whether this case involves
22 the accounting treatment of XRP?

23 MS. JONES: Object to form.

24 A. Could you restate the question, please?

10:26:39 25 Q. Do you know whether the accounting

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:26:40 1 treatment of XRP is an issue before the Court in
2 this case?

3 MS. JONES: Object to form.

4 A. I really don't understand the question.
10:26:58 5 I'm sorry.

6 Q. Do you know whether this case involves
7 the accounting treatment of XRP under GAAP?

8 MS. JONES: Object to form.

9 A. I still don't understand the question.
10:27:11 10 I'm sorry.

11 Q. Okay. When you read the complaint in
12 this case, did you see any allegations in the
13 complaint about the -- what -- the accounting
14 treatment of XRP under GAAP?

10:27:29 15 A. No.

16 Q. Are all of the opinions submitted in
17 your -- the opening report are those that you'll
18 be testifying to today?

19 A. Yes.

10:27:50 20 MS. JONES: Object to form.

21 Q. Can you please tell us the opinions you
22 formulated in this case?

23 A. They are in paragraph 10. Shall I read
24 paragraph 10?

10:28:05 25 Q. Could you please read your opinions for

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:28:06 1 the record?

2 A. Okay. "Based on my analysis and review
3 of the record evidence and relevant accounting
4 guidance, I have concluded the following:

10:28:18 5 "Ripple, and other companies holding
6 cryptocurrencies (including XRP), account for
7 those holdings as indefinite-lived intangible
8 assets ('Intangible Assets'). Ripple accounts for
9 monetary and nonmonetary sales of XRP as revenues.

10:28:39 10 MoneyGram International, Incorporated
11 ('MoneyGram'), a publicly traded holder of XRP,
12 accounts for its receipt of XRP in exchange for
13 providing services to Ripple as a reduction in the
14 cost of providing those services.

10:28:57 15 "While there currently is no
16 authoritative U.S. Generally Accepted Accounting
17 Principles ('U.S. GAAP') directly applicable to
18 the accounting for cryptocurrencies, the available
19 guidance, analogous U.S. GAAP, and the practices

10:29:17 20 of other publicly traded companies holding
21 cryptocurrencies are all consistent with the
22 manner in which Ripple accounts for XRP on its
23 balance sheet (that is, as an intangible asset),
24 and are inconsistent with the notion that those
10:29:38 25 cryptocurrencies (including XRP) are securities

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:29:41 1 under U.S. GAAP.

2 "Based on my understanding of the offer
3 and sales of XRP as alleged in the complaint, it
4 would be improper for Ripple to account for sales
10:29:53 5 and transactions involving XRP as the offer and
6 sale of securities under U.S. GAAP. In contrast,
7 Ripple's accounting for sales of XRP as
8 revenues - and not as the issuance of debt or
9 equity securities - is consistent with U.S. GAAP's
10:30:14 10 guidance for the accounting for consideration
11 received in return for a company delivering goods,
12 or providing or receiving services, as part of its
13 ongoing operations."

14 Q. Thank you.

10:30:31 15 Going back to your paragraph 9(i), you
16 used the term "hypothetical purchaser."

17 What do you mean by "hypothetical
18 purchaser"?

19 A. I mean a purchaser who is considering --
10:30:58 20 purchaser of a holding considering the purchase or
21 continuing to hold XRP using the accounting --

22 THE REPORTER: I'm sorry,
23 repeat, please.

24 A. Okay. I'm -- I'm considering the
10:31:16 25 hypothetical purchaser as an individual -- as an

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:31:20 1 entity understanding the proper accounting for XRP
2 based on the accounting guidance that applies in
3 the case of an asset such as XRP.

4 Q. Okay. Why did you use the term
10:31:45 5 "hypothetical purchaser"?

6 A. I'm not considering any particular
7 entity.

8 Q. What is the standard that you're using
9 for defining hypothetical purchaser?

10:32:04 10 MS. JONES: Object to form.

11 A. I'm sorry, I'm just not understanding
12 the question.

13 Q. Where did you obtain the definition of
14 hypothetical purchaser?

10:32:15 15 MS. JONES: Object to form.

16 A. I did not look to a source to get that
17 definition.

18 Q. Do you know if this is a depo -- is this
19 a definition under any accounting guidance?

10:32:33 20 A. Hypothetical purchaser?

21 Q. Yes.

22 A. It may be. I can't quote to a
23 particular guidance right now.

24 Q. What do you mean by "cryptocurrencies"
10:32:49 25 in your opinion?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:32:54 1 A. I mean a currency that exists on -- in
2 digital form on an encrypted ledger.

3 Q. What is the basis for your definition of
4 cryptocurrency?

10:33:14 5 A. Again, I -- I struggle with the
6 question. I -- that's how I would define it.

7 Q. Is the definition based on any personal
8 knowledge?

9 MS. JONES: Objection to
10:33:29 10 form.

11 A. Probably.

12 THE REPORTER: I'm sorry?

13 A. Probably.

14 Q. Are you making an assumption that XRP is
10:33:43 15 a cryptocurrency?

16 MS. JONES: Objection to
17 form.

18 A. No.

19 Q. Are you giving an opinion that XRP is a
10:33:53 20 cryptocurrency?

21 A. I believe it is a cryptocurrency.

22 Q. Is this an opinion that you formulated?

23 MS. JONES: Objection to
24 form.

10:34:04 25 A. I believe it is a cryptocurrency. You

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:34:06 1 could call it an opinion, I suppose.

2 Q. Is this an expert opinion that you're
3 providing regarding the status of XRP as a
4 cryptocurrency?

10:34:23 5 A. My expertise is -- is in accounting.
6 And an expert -- as an expert in accounting, I
7 understand the attributes of the asset that I'm
8 valuing. It's from that perspective that I've
9 defined cryptocurrency.

10:34:39 10 Q. What is the basis for your opinion that
11 XRP is a cryptocurrency?

12 MS. JONES: Objection.

13 A. I don't understand the question.

14 Q. What are you relying on in support of
10:34:55 15 your opinion that XRP is a cryptocurrency?

16 MS. JONES: Objection to
17 form.

18 A. Reading about XRP.

19 Q. Where -- what materials did you read
10:35:16 20 about XRP that support your opinion that XRP is a
21 cryptocurrency?

22 MS. JONES: Objection to
23 form. Counsel, he's not offering an
24 opinion. He --

10:35:26 25 MS. GUERRIER: I'm sorry, he

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:35:27 1 just said that he's offering an
2 opinion. So please do not --

3 MS. JONES: That's your
4 opinion that he's offering in this
10:35:31 5 case.

6 MS. GUERRIER: No, he's --
7 no, he just stated that he's offering
8 an opinion that XRP is a
9 cryptocurrency. And I would ask you
10:35:37 10 to just state your objection on the
11 record and not speaking objections.
12 Thank you.

13 BY MS. GUERRIER:

14 Q. So what --

10:35:43 15 A. Would you read back to me, please, where
16 I offered that opinion?

17 "Q. Is this an expert opinion
18 that you're providing regarding the
19 status of XRP as a cryptocurrency?

10:36:04 20 "A. [As read] My expertise is
21 in accounting and as an expert in
22 accounting, I understand attributes
23 of the asset that I'm" evaluating --
24 "that I'm valuing. It's from that
10:36:16 25 perspective that I define

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:36:19 1 cryptocurrency."

2 And earlier I asked you: "Are you
3 giving an opinion that XRP is a cryptocurrency?"

4 You answered "I believe it is a
10:36:33 5 cryptocurrency."

6 I asked, "Is this an opinion that you
7 formulated?"

8 And you answered "I believe it is a
9 cryptocurrency. You could call it an opinion, I
10:36:42 10 suppose."

11 So let's clarify.

12 Are you providing an expert opinion on
13 whether or not XRP is a cryptocurrency?

14 A. No.

10:37:01 15 Q. Okay. Are you making an assumption that
16 XRP is a cryptocurrency?

17 MS. JONES: Object to form.

18 A. Certain assumption is not necessary for
19 my report.

10:37:12 20 Q. So did -- did you make that assumption
21 that XRP is a cryptocurrency?

22 MS. JONES: Objection to
23 form. Asked and answered.

24 A. I considered the attributes of the asset
10:37:26 25 XRP. And my opinion is based on those attributes.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:37:31 1 Q. Okay. So just to clarify, you're not
2 providing --

3 A. May I complete my answer, please?

4 Q. I'm sorry. Sure.

10:37:36 5 A. The label "cryptocurrency" is not
6 necessary for that opinion.

7 Q. So could you use the term "digital
8 asset" to describe XRP as well?

9 MS. JONES: Object to form.

10:37:51 10 A. It is a digital asset.

11 Q. Okay. So could you use that term to
12 describe it?

13 MS. JONES: "It" being XRP?

14 A. Possibly. It's the attributes of XRP
10:38:05 15 that matters. It's not the label that matters.

16 Q. Going back to your opinion, you used the
17 term "securities."

18 Can you provide a definition of
19 securities in your opinion?

10:38:30 20 A. Point me to exactly where I used it.

21 Q. Well, in paragraph --

22 A. Okay.

23 Q. So Opinion 10(ii).

24 A. Yes.

10:38:47 25 Q. You state that -- in the last part of

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:38:57 1 your opinion in that sentence, you use the term
2 "securities."

3 A. Yes.

4 Q. Okay. Can you explain what you mean by
10:39:03 5 "securities" in that opinion?

6 A. Yes. My -- my opinion is based on
7 United States Generally Accepted Accounting
8 Principles.

9 Q. And how are -- I'm sorry, were you done?

10:39:15 10 A. And my definition -- definition of
11 securities and the attributes of securities is all
12 based on Generally Accepted U.S. Accounting
13 Principles.

14 Q. Are you done with your answer?

10:39:34 15 A. Yes.

16 Q. So how are securities defined under
17 Generally Accepted Accounting Principles?

18 MS. JONES: And, Peter, if
19 you want to go to a -- if it would be
10:39:46 20 helpful to go to the paragraph in
21 your report --

22 THE WITNESS: Yeah, I think
23 it would be best to go to the
24 paragraph in my report.

10:40:07 25 In fact, it's a section in my

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:40:09 1 report, Section C.

2 Q. What page are you on?

3 A. Seventeen.

4 Q. Thank you.

10:40:18 5 So could you define securities under
6 that, please?

7 A. Does it say -- in paragraph 36: "The
8 Financial Accounting Standards Board provides two
9 definitions of a security. Under the first
10:40:37 10 definition, a security is defined as: 'The
11 evidence of debt or ownership or a related right.
12 It includes options and warrants as well as debt
13 and stock.'"

14 Paragraph 37: "Under the second
10:40:57 15 definition, the FASB defines a security as a
16 share, participation, or other interest in
17 property or in an entity of the insurer (sic) or
18 an obligation of the issuer that has all of the
19 following characteristics:

10:41:16 20 "A. It is either represented by an
21 instrument issued in bearer or registered form or,
22 if not represented by an instrument, is registered
23 in books maintained to record transfers by or on
24 behalf of the issuer.

10:41:33 25 "B. It is of the type commonly dealt on

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:41:38 1 securities exchanges or markets or, when
2 represented by an instrument, is commonly
3 recognized in any area in which it is issued or
4 dealt in as a medium for investment.

10:41:49 5 "C. It either is one of a class or
6 series or by its terms is divisible into a class
7 or series of shares, participations, interests, or
8 obligations."

9 And then I go on to elaborate.

10:42:11 10 Q. Okay. Thank you.

11 Going back to the first opinion in your
12 paragraph 10(i), is this the complete opinion that
13 you formed in response to paragraph -- the
14 question that you posed in paragraph 9(i)?

10:42:43 15 MS. JONES: Objection to
16 form.

17 A. No.

18 Q. What is your complete opinion that -- in
19 response to paragraph 9(i)?

10:43:08 20 MS. JONES: Object to the
21 form.

22 A. The responses in paragraph 10 jointly
23 respond to the questions as raised in 9.

24 Q. Okay. Did anyone assist you in
10:43:23 25 formulating this opinion? And when I say "this

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:43:26 1 opinion," I'm referring to the opinion in
2 paragraph 10(i).

3 MS. JONES: And you can
4 answer that question yes or no, but
10:43:31 5 I'm going to direct you not to
6 disclose any communications that you
7 had with counsel.

8 A. Yes.

9 Q. Who assisted you in formulating this
10:43:48 10 opinion?

11 A. Jennifer Milliron.

12 Q. Did counsel assist you in formulating
13 the opinion in 10(i)?

14 MS. JONES: You can answer
10:43:59 15 that question yes or no.

16 A. No.

17 Q. Okay. What is the basis for the opinion
18 in 10(i)?

19 A. 10(i) is a statement of facts.

10:44:29 20 Q. Okay. So what is the -- where is --
21 what is the opinion that you're giving in response
22 to 9(i), whether a hypothetical purchaser or
23 holder of XRP understands the proper accounting
24 for XRP transactions based on the applicable
10:44:47 25 accounting guidance?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:44:48 1 MS. JONES: Objection to
2 form.

3 A. They would understand, as I've stated, a
4 holding of cryptocurrencies as indefinite-lived
10:45:05 5 intangible assets. They would understand the
6 accounting for the monetary and nonmonetary
7 transactions.

8 Q. Are there any facts that support the
9 opinion that you formulated in response to the
10:45:29 10 question in 9(i)?

11 MS. JONES: Objection to
12 form.

13 A. Yes.

14 Q. What are the facts that support your
10:45:39 15 opinion in response to question 9(i)?

16 MS. JONES: Objection to
17 form.

18 A. So those facts are stated in 10(i).

19 Q. What are the specific facts?

10:45:51 20 A. "Ripple and other companies holding
21 cryptocurrencies (including XRP), account for
22 those holdings as indefinite-lived intangible
23 assets. Ripple accounts for monetary and
24 nonmonetary sales of XRP as revenues. MoneyGram
10:46:07 25 International, a publicly traded holder of XRP,

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:46:10 1 accounts for its receipt of XRP in exchange for
2 providing services to Ripple as a reduction in the
3 cost of providing those services."

4 Q. Where did you obtain the facts in
10:46:25 5 support of -- the facts that state that Ripple and
6 other companies holding XRP account for these
7 indefinite-lived -- lived intangible assets?

8 MS. JONES: Objection to
9 form.

10:46:44 10 A. From the annual reports.

11 Q. Do you recall what specific annual
12 reports that support this statement in your
13 opinion?

14 A. Ripple's annual reports, Tesla's annual
10:46:59 15 reports, Microstrategy annual reports, MoneyGram's
16 annual reports, which I've already said that, and
17 Coinbase.

18 Q. And what in those annual reports support
19 that statement?

10:47:14 20 MS. JONES: Objection to
21 form.

22 A. A line item on the reported balance
23 sheet that says "indefinite-lived intangible
24 assets." And in many case, a footnote referring
10:47:33 25 to the fact that those indefinite-lived intangible

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:47:37 1 assets are cryptocurrencies.

2 Q. Okay. Do any of these entities that you
3 cited report XRP specifically on -- in their
4 financial records?

10:47:49 5 A. Yes.

6 Q. Which ones?

7 A. XRP and MoneyGram.

8 MS. JONES: You said XRP.

9 Do you mean Ripple?

10:48:01 10 THE WITNESS: I -- I mean --
11 excuse me. Ripple and MoneyGram.

12 Q. And where did you obtain the facts in
13 support of the statement -- the second sentence in
14 your paragraph 10(i)?

10:48:19 15 MS. JONES: Objection to
16 form.

17 A. I read the annual reports of Ripple and
18 the annual reports of MoneyGram International.

19 Q. Now, you state in paragraph 10(i) that
10:48:39 20 "MoneyGram accounts for its receipt of XRP in
21 exchange for providing services to Ripple as a
22 reduction in the cost of providing those
23 services."

24 What specifically are you -- what
10:48:57 25 specific facts are you relying on in support of

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:49:00 1 this statement?

2 A. They report a contra expense.

3 Q. I'm sorry?

4 A. They report a contra expense.

10:49:08 5 Q. Where do they report that expense?

6 A. On their annual report. In the 10-K.

7 Q. What -- what year is the 10-K for?

8 A. I have cited it at some point.

9 The question is what year? I'm sorry.

10:50:02 10 Q. Yes.

11 A. 2020.

12 Q. Okay. Now, in your Question 9(i), you
13 were asking whether a hypothetical purchaser or
14 holder of XRP, how they would understand the
10:50:18 15 proper accounting for XRP.

16 So are you considering Ripple and
17 MoneyGram as hypothetical purchasers and holders
18 of XRP?

19 A. No.

10:50:31 20 Q. So who are the hypothetical purchasers
21 or holders of XRP in your opinion in response to
22 the question in 9(i)?

23 MS. JONES: Objection to
24 form. Asked and answered.

10:50:47 25 A. A hypothetical purchaser is an entity

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:50:51 1 who uses the accounting as a source of information
2 in informing their purchase or holding decision.

3 Q. Did you answer that question that you
4 posed in 9(i) with respect to the hypothetical
10:51:15 5 purchaser in your opinion?

6 A. Yes.

7 MS. JONES: Objection to
8 form.

9 THE WITNESS: I'm sorry.

10:51:21 10 MS. JONES: That's okay.

11 Q. So are you considering MoneyGram an
12 actual holder of XRP or a hypothetical holder of
13 XRP?

14 MS. JONES: Objection to
10:51:32 15 form. Asked and answered.

16 A. MoneyGram is an actual holder of XRP, or
17 has been.

18 Q. Okay. So how would the hypothetical
19 purchaser or holder of XRP account for XRP?

10:51:55 20 THE REPORTER: Account for?
21 I can't hear you.

22 Q. Account for XRP.

23 A. I don't think purchasers do the
24 accounting.

10:52:04 25 Q. Who would do the accounting for a

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:52:06 1 purchaser?

2 A. The accounting -- the accountant would
3 do it and the purchaser would read the
4 accounting --

10:52:09 5 Q. Okay.

6 A. -- in an attempt to understand it.

7 Q. Would a purchase -- can a purchaser do
8 his or her own accounting?

9 A. If the entity is trained as an
10:52:18 10 accountant, yes.

11 Q. So does one have to be trained as an
12 accountant to perform accounting for one's self?

13 A. One has to under -- my opinion is based
14 on U.S. GAAP. One would have to understand U.S.
10:52:36 15 GAAP.

16 Q. So does -- your hypothetical purchaser
17 or holder of XRP is one that understands U.S.
18 GAAP?

19 MS. JONES: Objection to
10:52:44 20 form.

21 A. The hypothetical purchaser needs to be
22 sufficiently informed to use the accounting in the
23 entity's decision.

24 Q. So is there any accounting guidance for
10:53:06 25 the treatment, the accounting treatment, for

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:53:10 1 digital assets?

2 A. Yes.

3 Q. Is there any authoritative accounting
4 guidance for the accounting treatment of digital
10:53:19 5 assets?

6 MS. JONES: Object to form.

7 A. Yes.

8 Q. What is the authoritative guidance for
9 the accounting treatment of digital assets?

10:53:32 10 A. I have pages of discussion of it here.

11 Q. I'm sorry?

12 A. I have pages of discussion starting
13 Section IV on page 5.

14 Q. Okay. Can you list the author --
10:54:19 15 authoritative guidance for digital asset
16 treatment?

17 A. Can I list it?

18 Q. Yes. Could you tell us what the
19 authoritative guidance is for a digital asset?

10:54:30 20 MS. JONES: Object to the
21 form.

22 A. If you'd like me to read all of Section
23 V?

24 Q. No. But you can -- can you provide,
10:54:41 25 like, a summary of what the authoritative guidance

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:54:44 1 is for a digital asset as treatment for
2 accounting?

3 MS. JONES: Objection to
4 form.

10:54:53 5 A. I can summarize, but I am paraphrasing,
6 so I very likely will state something incorrectly.

7 There is as yet no authoritative
8 guidance from either the Financial Accounting
9 Standards Board or the Securities and Exchange
10:55:12 10 Commission.

11 There is authoritative guidance from the
12 International Accounting Standards Board which has
13 accounting principles that are sometimes similar
14 to those of U.S. GAAP, sometimes quite different,
10:55:32 15 but it does inform U.S. GAAP.

16 In the absence of guidance from the
17 Financial Accounting Standards Board, the American
18 Institute of Chartered Public Accountants has
19 issued guidance, which is generally considered to
10:55:50 20 be authoritative. And each of the Big 4
21 accounting firms, which supervise and employ
22 millions of accountants worldwide, have issued
23 guidance.

24 Q. Okay. What is the Financial Accounting
10:56:32 25 Standards Board -- is that known as FASB?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:56:35 1 A. Yes.

2 Q. Okay. What is the guidance from FASB
3 regarding the accounting treatment of digital
4 assets?

10:56:42 5 MS. JONES: Objection to
6 form. Asked and answered.

7 A. I believe I have answered that question.
8 I -- I said FASB has not provided any
9 authoritative guidance.

10:56:57 10 Q. Okay. What is the guidance from the
11 International Accounting Standards Board regarding
12 the accounting treatment of digital assets?

13 A. "The International Accounting Standards
14 Board publishes accounting standards (referred to
10:57:20 15 as International Financial Reporting Standards)
16 which are the accounting principles adopted by
17 many countries throughout the world. In May 2019,
18 the IFRS Interpretations Committee provided
19 accounting guidance for cryptocurrencies having
10:57:37 20 all of the following characteristics:

21 "A. A cryptocurrency that is a digital
22 or virtual currency recorded on a distributed
23 ledger and uses cryptography for security.

24 "A cryptocurrency that is not issued by
10:57:57 25 a jurisdictional authority or other party.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

10:57:59 1 "A holding of a cryptocurrency that does
2 not give rise to a contract between the holder and
3 another party.

4 "In particular, the IFRS guidance
10:58:12 5 provides two options for the accounting treatment
6 of a company's holdings of cryptocurrency: The
7 Committee concluded that IAS 2 inventories applies
8 to the cryptocurrencies when they are held for
9 sale in the ordinary course of business. If IAS 2
10:58:31 10 is not applicable, an entity applies IAS 38
11 Intangible Assets to holdings of
12 cryptocurrencies."

13 Q. What is the guidance from the AICPA
14 regarding the accounting for digital assets?

10:59:22 15 A. Would you like me to read from paragraph
16 24 and 25?

17 Q. Can you summarize what the guidance is
18 for the accounting treatment of digital assets by
19 the AICPA?

10:59:43 20 A. Yes. It's very similar to the
21 International Accounting Standards Board. It
22 differs inasmuch as the AICPA concludes that under
23 U.S. GAAP, cryptocurrencies cannot be traded as
24 inventory.

11:00:05 25 Q. Okay. You also mentioned the Big 4

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:00:07 1 accounting firms.

2 A. Yes.

3 Q. Do they have authoritative guidance over
4 the accounting treatment of a digital asset?

11:00:20 5 A. That depends on the interpretation of
6 authoritative. It is certainly the case that if
7 the Big 4 offer an opinion, the accounting world
8 pays a lot of attention. And I would say it does
9 become authoritative if all four accounting firms
11:00:41 10 offer essentially the same opinion and it is
11 concordant with the AICPA opinion.

12 Q. Okay. How does it become authoritative
13 after the Big 4 issue similar opinions about a
14 particular topic?

11:01:03 15 THE REPORTER: About?

16 MS. GUERRIER: A particular
17 topic.

18 MS. JONES: Objection to
19 form.

11:01:12 20 A. Could you elaborate on the question,
21 please?

22 Q. Yeah.

23 So you stated -- let me -- you stated
24 that if the Big 4 offer an opinion, the

11:01:28 25 accounting world pays a lot of attention and that

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:01:31 1 it does become authoritative if all four
2 accounting firms offer essentially the same
3 opinion and it is concordant with the AICPA.

4 So how does this process work?

11:01:45 5 A. Well, the Big 4, given that they are
6 responsible for a massive amount of accounting
7 practice in the world, provide an opinion as, I
8 would say, an authority. Therefore, it's an
9 authoritative opinion.

11:02:11 10 Q. What happens if a -- an entity does not
11 follow an opinion that's been issued by the Big 4?

12 A. If the company is an audited company, I
13 expect that the auditor would question that
14 classification of the asset.

11:02:35 15 THE REPORTER: That
16 classification?

17 THE WITNESS: Of the asset.
18 I'm sorry.

19 Q. Does not following an opinion by the Big
11:02:41 20 4 equal a violation of Generally Accepted
21 Accounting Principles?

22 MS. JONES: Objection to
23 form.

24 A. I don't think so.

11:03:16 25 Q. Okay. Well, is it fair to say that the

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:03:18 1 Big 4 accounting firms are not on equal footing
2 with GAAP?

3 A. I don't understand that question at all.

4 Q. Let me rephrase that.

11:03:29 5 The Big 4 accounting firms, in terms of
6 authority over the accounting treatment of
7 something, are they on equal footing with FASB
8 authoritative guidance?

9 MS. JONES: Objection to

11:03:41 10 form.

11 A. No. In this case, there is no FASB
12 guidance, however.

13 Q. Okay. Going back to your opinion in
14 response to Question 9(i), did you rely on any
11:04:17 15 documents in support of that opinion?

16 MS. JONES: Objection to
17 form.

18 A. Forgive me, but I believe I answered
19 that question. Yes.

11:04:31 20 Q. Okay. So the documents that you
21 identified earlier, are these the universe of
22 documents that you relied on in support of that
23 opinion?

24 MS. JONES: Objection to

11:04:37 25 form.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:04:45 1 A. I'm not sure.

2 Q. Were there any documents that you
3 considered that are -- you did not previously
4 describe?

11:04:56 5 A. Possibly. There are -- there are no
6 documents that I haven't listed as documents that
7 I relied upon in writing the report.

8 Q. How about documents that you considered
9 in writing the report?

11:05:09 10 A. Not that --

11 MS. JONES: Objection to
12 form.

13 A. Not that I recall as I sit here now.

14 Q. Did counsel provide you with any
11:05:18 15 documents that you considered in writing the
16 opinion in response to Question 9(i)?

17 MS. JONES: You can answer
18 that question yes or no.

19 A. Yes.

11:05:29 20 Q. What specific documents did counsel
21 provide you with regarding your response to
22 Question 9(i)?

23 MS. JONES: I'm just going
24 to instruct you, you can answer as to
11:05:40 25 the -- the facts that counsel gave

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:05:41 1 you, but don't disclose any
2 communications beyond the facts that
3 counsel gave you or the documents.

4 A. My recollection is that the annual
11:05:54 5 reports of Ripple were more than likely provided
6 by counsel.

7 Q. Do you have a specific recollection of
8 whether the annual reports -- Ripple's annual
9 reports were provided by counsel to you?

11:06:06 10 A. No.

11 Q. Any other documents that counsel
12 provided to you that were considered in support of
13 your response to Question 9(i)?

14 A. No.

11:06:22 15 Q. Were there any assumptions that you made
16 in formulating your opinion in response to
17 Question 9(i)?

18 MS. JONES: And same
19 instruction. Don't disclose any
11:06:36 20 communications that you've had with
21 counsel.

22 A. There -- there were no assumptions,
23 period.

24 Q. Okay. Did you conduct an analysis in
11:06:49 25 support of your opinion in response to question

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:06:52 1 9(i)?

2 A. Yes.

3 Q. What is the --

4 MS. JONES: Objection to

11:06:54 5 form. Sorry.

6 Q. What is the analysis that you conducted?

7 A. I carefully considered the existing
8 guidance for accounting for assets under U.S. GAAP
9 and for the accounting for the sale of those
11:07:22 10 assets under U.S. GAAP.

11 And based on very clear definitions of
12 assets in that guidance, I considered what XRP was
13 and what XRP was not.

14 Q. Can you elaborate? When you state that
11:07:49 15 you "considered what XRP was," what do you mean?

16 A. Could we look at page 8?

17 Q. Okay. Yes.

18 A. Page 8 provides definitions as
19 established by the Financial Accounting Standards
11:08:28 20 Board of various types of assets.

21 Q. Uh-huh.

22 A. I carefully considered each of those
23 types of assets and determined why XRP was not any
24 other category than intangible long-lived assets.

11:08:58 25 Q. So are all of the categories of assets

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:09:04 1 that XRP does not fall into listed in paragraph 17
2 of your report?

3 MS. JONES: Objection to
4 form.

11:09:22 5 A. Could you say the question again,
6 please?

7 Q. Yes. Are all of the categories of
8 assets that XRP does not fall into listed in
9 paragraph 17 of your report?

11:09:40 10 MS. JONES: Do you mean 18?

11 MS. GUERRIER: Is it 18?

12 A. It's both, 17 and 18. And 19.

13 Q. Okay. So is the answer yes?

14 A. The answer is no. This is 18 and 19.

11:10:07 15 Q. Okay. So are -- those three paragraphs
16 include all of the categories of assets that XRP
17 does not fall under?

18 MS. JONES: Objection to
19 form.

11:10:24 20 A. I can't think of any others as I sit
21 here now. These are rather all encompassing.

22 Q. Okay. So can you show me in your report
23 where your analysis in support of the opinion that
24 you formed in response to Question 9(i) is
11:10:53 25 located?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:11:00 1 A. I think it's pages and pages and pages
2 here. It's a large part of the report.

3 Q. So in response to the question of
4 whether a hypothetical purchaser or holder of XRP
11:11:13 5 would understand the proper accounting for XRP, so
6 I -- you walked me through the paragraph where the
7 assets that XRP does not fall under are located.

8 So is there anything else in support of
9 your analysis that you can point to in your
11:11:42 10 report?

11 A. Yes.

12 Q. What else?

13 MS. JONES: Objection to
14 form to the prior question.

11:11:47 15 A. It's all of these paragraphs --

16 Q. What --

17 A. -- that discuss what the AICPA's
18 guidance is, what PWC, EY, et cetera's --

19 THE REPORTER: What the AICPA's
11:12:04 20 guidance is what? The what?

21 THE WITNESS: PWC, EY, et
22 cetera's, guidance is.

23 BY MS. GUERRIER:

24 Q. Okay. Can you summarize the analysis
11:12:08 25 that you've conducted in support of your opinion

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:12:10 1 in 9 -- in response to Question 9(i)?

2 MS. JONES: Objection to
3 form. Asked and answered.

4 A. The analysis is I've done it myself.
11:12:24 5 I've referred to analysis done by the Big 4. I
6 referred to guidance from the AICPA, all of which
7 essentially look at the same asset categories as I
8 looked at. They're all listed on page -- whatever
9 the page is -- 8 and discuss why they form the
11:12:49 10 conclusion that under United States GAAP, XRP
11 should be recorded as an intangible long-lived
12 asset.

13 Q. Okay. So can you tell me why XRP should
14 be reported as an intangible asset?

11:13:15 15 A. Yes. XRP are not cash or cash
16 equivalents because they do not represent fiat
17 currency or short-term high-liquidity investments.
18 They represent insignificant risk of change in
19 value.

11:13:27 20 They are not debt securities because
21 they do not represent a creditor relationship
22 between issuer and holder.

23 They are not equity securities because
24 they do not provide the holder with an ownership
11:13:44 25 interest in an entity or the right to acquire or

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:13:46 1 dispose of an ownership interest.

2 They are not investment contracts
3 because they are not investments linked to
4 insurance policies.

11:13:58 5 They are not inventory or property,
6 plant, and equipment because they do not represent
7 tangible property.

8 They do appear to meet the definition of
9 intangible assets given that they lack physical
11:14:14 10 substance and they are not a financial asset.

11 Q. Is this particular analysis one that is
12 conducted by your peers in determining whether
13 something is categorized as a digital asset or
14 not?

11:14:37 15 MS. JONES: Object to form.

16 A. This is accounting 101 inasmuch as if
17 we're accounting for a sweater or a barrel of oil
18 or a bushel of cotton or whatever, we would go
19 through this analysis.

11:15:00 20 Q. Okay. Do you know if there are any
21 dissenting views regarding whether or not a
22 digital asset such as XRP would be considered an
23 intangible asset?

24 MS. JONES: Objection to
11:15:10 25 form.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:15:21 1 A. I'm -- I'm here to give an opinion on
2 the classification under U.S. GAAP, not a general
3 classification.

4 Q. Well, do you know under U.S. GAAP
11:15:32 5 whether there are dissenting views as to whether
6 XRP would be considered an intangible asset for
7 accounting purposes?

8 MS. JONES: Objection to
9 form again.

11:15:46 10 A. I know of some who argue that
11 cryptocurrencies could be considered as inventory
12 under U.S. GAAP, but that view flies in the face
13 of XRP or cryptocurrencies not having physical
14 substance. And that very point is made in that
11:16:19 15 dissenting view.

16 Q. Do you know who those that have the
17 dissenting view about the character of
18 cryptocurrencies --

19 A. PWC --

11:16:33 20 MS. JONES: Objection to
21 form.

22 THE WITNESS: I'm sorry.

23 Q. Anyone else?

24 A. No.

11:17:03 25 Q. Okay. Do you know if there are any

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:17:05 1 views regarding treating a digital asset as an
2 investment type of asset?

3 MS. JONES: Objection to
4 form.

11:17:22 5 A. Yes.

6 Q. What are the views regarding treating a
7 digital asset as an investment asset under -- for
8 accounting purposes?

9 A. For accounting purposes?

11:17:32 10 Q. Yes.

11 A. Oh, I don't know of any of those views.
12 You didn't ask that question.

13 Q. Sorry.

14 Specifically with regard to accounting
11:17:40 15 purposes?

16 A. As -- and the question was as an
17 investment asset?

18 Q. Yes.

19 A. I don't know what that means.

11:17:51 20 Q. How would you account for a digital
21 asset that's held for investment and then later
22 sold?

23 MS. JONES: Objection to
24 form.

11:18:03 25 A. It would be an intangible long-lived

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:18:05 1 asset.

2 Q. Okay. What would be the accounting
3 entry for the type of asset that's an in -- that
4 you say is an intangible long-lived asset but
11:18:15 5 that's held for investment and then sold?

6 A. The same.

7 Q. What --

8 A. It would be an intangible long-lived
9 asset.

11:18:23 10 Q. How --

11 A. Bitcoin being an example on Tesla's
12 balance sheet.

13 THE REPORTER: Repeat.

14 THE WITNESS: Bitcoin being
11:18:35 15 an example on Tesla's balance sheet.

16 THE REPORTER: On Tesla's? I
17 can't --

18 THE WITNESS: Balance sheet.

19 BY MS. GUERRIER:

11:18:43 20 Q. Are you providing any opinion as to
21 whether bitcoin and XRP are similar in
22 characteristics?

23 A. Yes.

24 Q. What is the opinion that you're
11:18:56 25 providing regarding whether bitcoin and XRP are

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:19:00 1 similar in characteristics?

2 A. They're both cryptocurrencies.

3 Q. What's the basis for your opinion that
4 bitcoin and XRP are both cryptocurrency?

11:19:16 5 A. They're both digital assets existing --
6 existing on an encrypted ledger. They lack
7 physical substance. And, therefore, they're
8 intangible assets and recorded as such.

9 MS. JONES: And just to be
11:19:35 10 clear, Counsel, are you talking about
11 an expert opinion that Mr. Easton's
12 offering in this matter when you use
13 the term "opinion"?

14 MS. GUERRIER: Yes.

11:19:44 15 MS. JONES: Okay.

16 BY MS. GUERRIER:

17 Q. Is that your expert opinion regarding
18 the characteristics of bitcoin versus XRP?

19 A. Yes.

11:19:57 20 Q. Okay. So what is the basis for the --
21 the opinion that bitcoin and XRP have similar
22 characteristics?

23 A. They are both digital assets. They do
24 exist on an encrypted ledger. They do lack
11:20:21 25 physical substance.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:20:25 1 Q. Are you relying on anything that
2 supports these statements that you're making right
3 now regarding the characteristics of bitcoin and
4 XRP?

11:20:32 5 MS. JONES: Objection to
6 form.

7 A. I really don't understand the question.
8 You're saying that they're not --

9 Q. Well, what in your education qualifies
11:20:45 10 you to give an opinion on the characteristics of
11 bitcoin versus XRP?

12 MS. JONES: Objection to
13 form.

14 A. I've spent a heck of a lot of time as an
11:20:54 15 accountant accounting for assets of many different
16 kinds.

17 Q. Okay. Did you testi --

18 A. And I think I'm pretty good at
19 identifying the characteristics of those -- of
11:21:07 20 those assets for which I'm performing the
21 accounting.

22 Q. Have you performed accounting for
23 digital assets?

24 MS. JONES: Objection to
11:21:14 25 form.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:21:19 1 A. Have I done debits and credits do you
2 mean?

3 Q. Well, I'm using your term. So what
4 did -- what did you mean when you said that you're
11:21:34 5 pretty good at identifying the characteristics of
6 those assets for which you're performing the
7 accounting?

8 A. And your question?

9 Q. Have you performed accounting for any
11:21:48 10 digital assets?

11 A. Yes.

12 Q. Which digital assets?

13 A. XRP.

14 Q. When did you perform the accounting for
11:21:55 15 XRP?

16 A. In the process --

17 MS. JONES: Objection to
18 form.

19 A. In the process of developing this
11:22:00 20 report.

21 Q. What type of accounting did you perform
22 for XRP?

23 MS. JONES: Objection to
24 form.

11:22:09 25 A. I believe I've answered the question.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:22:13 1 So sorry if I haven't answered that question, but
2 I'll probably give the same answer again.

3 As a professional accountant, when I'm
4 determining the nature of an asset which I am
11:22:26 5 going to account for, I consider various
6 characteristics of those assets and determine what
7 category of assets they fit in. And then I
8 account for it accordingly.

9 Q. What are the specific characteristics of
11:23:05 10 XRP that you've evaluated?

11 MS. JONES: For purposes of
12 U.S. GAAP do you mean?

13 A. For purposes of U.S. GAAP?

14 Q. Well, in response to your -- in
11:23:23 15 following up to your answer that you evaluate --
16 you consider the various characteristics of the
17 assets.

18 A. Well, is it cash? Is it a short-term
19 highly liquid investment? Is there any
11:23:42 20 characteristic that suggests that it represents a
21 creditor relationship with an entity? Is there a
22 representation of an ownership interest in an
23 entity? Is it a long-term-duration contract
24 involving insurance? Is it tangible property? Is
11:24:09 25 it property, plant and equipment? Is it an

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:24:14 1 intangible asset? Is it a financial asset?

2 Q. And what did -- what is -- answer did
3 you arrive at?

4 A. It is an intangible long-lived asset.

11:24:42 5 Q. Does this intangible long-lived asset
6 characteristics -- characteristic make XRP a
7 cryptocurrency in your opinion?

8 MS. JONES: Objection to
9 form.

11:24:57 10 A. No. Research and development is not a
11 cryptocurrency, but it is an intangible long-lived
12 asset.

13 Q. What specific characteristic other than
14 the ones that you just stated would make XRP a
11:25:16 15 cryptocurrency?

16 A. I -- I don't understand the question.

17 Q. Did you actually compare bitcoin's
18 characteristics versus XRP's characteristics?

19 MS. JONES: Objection to

11:25:33 20 form. For purposes of U.S. GAAP you
21 mean?

22 MS. GUERRIER: That's your
23 question. That's not my question.

24 MS. JONES: I'm clarifying.

11:25:44 25 MS. GUERRIER: I'll re --

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:25:44 1 I'll repeat my question.

2 BY MS. GUERRIER:

3 Q. My question is, did you actually compare
4 bitcoin's characteristics versus XRP's
11:25:52 5 characteristics?

6 A. I believe that I went through the
7 categories I just labeled or just discussed for
8 bitcoin and came to the same conclusion for
9 bitcoin.

11:26:14 10 Q. Is this a process that is followed in
11 your field when comparing different digital
12 assets?

13 MS. JONES: Objection to
14 form. Asked and answered.

11:26:28 15 A. The question -- I -- I -- I don't
16 understand the question. I just don't understand
17 the question.

18 Q. Well, let me go back to...

19 I believe you stated that you look at
11:26:43 20 specific characteristics that you enumerated when
21 evaluating a cryptocurrency, is that correct?

22 MS. JONES: Objection to
23 form. Mischaracterizes the
24 testimony.

11:26:55 25 A. That is not what I said.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:26:56 1 Q. Could you explain to me what you meant
2 when you were saying that you looked at specific
3 characteristics?

4 A. I said when I look at an asset, it could
11:27:04 5 be this suit.

6 Q. Uh-huh.

7 A. It could be my tie. It could be oil in
8 the ground. I and my students, any other
9 professional accountant, would look at the asset
11:27:19 10 and examine the characteristics within these
11 parameters, these definitions, provided by the
12 authority, the Financial Accounting Standards
13 Board.

14 Once -- once an asset is classified in a
11:27:38 15 particular area, it's classified into that area.
16 It doesn't say that an intangible asset is a
17 cryptocurrency. It says a cryptocurrency is an
18 intangible asset. Those are two very different
19 statements.

11:27:55 20 Q. Uh-huh. So do you need to determine the
21 characteristics of an asset prior to being able to
22 classify for GAAP purposes?

23 MS. JONES: Objection to
24 form.

11:28:04 25 A. Yes.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:28:11 1 MS. JONES: And we've been
2 going about another hour, so once you
3 finish this line of questioning, it
4 would be a good time for a break.

11:28:36 5 MS. GUERRIER: Give me one
6 second.

7 MS. JONES: Sorry?

8 MS. GUERRIER: Give me one
9 second.

11:28:57 10 (Pause)

11 MS. GUERRIER: Okay. I
12 think we can take a 15-minute break.

13 MS. JONES: How about ten
14 minutes?

11:29:13 15 MS. GUERRIER: Is this a
16 lunch break?

17 MS. JONES: It's a little
18 early --

19 THE VIDEOGRAPHER: Let me
11:29:16 20 just go off the record.

21 Going off the record at 11:29.

22 (Whereupon, a recess is taken.)

23 THE VIDEOGRAPHER: Okay.

24 Back on the record at 11:41.

11:41:18 25 BY MS. GUERRIER:

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:41:18 1 Q. Professor Easton, to clarify, other than
2 the accounting for XRP that you did in connection
3 with this case, have you performed any accounting
4 for digital assets?

11:41:32 5 MS. JONES: Objection to
6 form.

7 A. No.

8 Q. Going back to the characteristics that
9 you described earlier that you reviewed, are all
11:41:53 10 fiat currencies cash or cash equivalent under
11 GAAP?

12 A. A holding of fiat currency is cash.

13 THE REPORTER: I'm sorry, I
14 can't understand you.

11:42:10 15 THE WITNESS: Sorry.

16 A. A holding of cash -- of fiat currency is
17 cash.

18 Q. What do you mean by "a holding of fiat
19 currency"?

11:42:20 20 A. Well, a euro is not cash and cash
21 equivalence in the United States unless it's held
22 by a U.S. company.

23 Q. So does whether something is cash or
24 cash equivalent depend on its geographical
11:42:50 25 location?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:42:50 1 MS. JONES: Objection to
2 form.

3 A. No.

4 Q. What is the element that is required for
11:42:59 5 a currency to be considered cash or cash
6 equivalent?

7 A. The company -- company needs to
8 physically hold the currency.

9 Q. Okay. Is there any cryptocurrency that
11:43:18 10 you would classify as cash or cash equivalent
11 under GAAP?

12 A. Not that I'm aware of.

13 Q. Going back to your report, the AICPA
14 guidance directs that an investment company should
11:44:05 15 determine whether its holding of digital assets
16 represent -- I'm sorry. Strike that.

17 So the AICPA's guidance defines crypto
18 assets as the type of digital asset that functions
19 as a medium of exchange.

11:44:23 20 You write in Footnote 19 that it is
21 evident that XRP has characteristics a, b and
22 b.ii.

23 What facts did you consider in reaching
24 your opinion that XRP functions as a medium of
11:44:50 25 exchange?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:45:01 1 A. It is used as a medium of exchange.

2 Q. Okay. Can you identify the facts that
3 support this opinion?

4 MS. JONES: Objection to

11:45:08 5 form.

6 A. Payments to MoneyGram -- MoneyGram for
7 services. Payments to executives. Payments for
8 software development.

9 Q. Do you know if those facts are reliable?

11:45:45 10 A. Yes.

11 MS. JONES: Objection to
12 form.

13 Q. How do you --

14 A. Yes.

11:45:47 15 Q. -- how do you know that those facts are
16 reliable?

17 A. Well, some of those things are discussed
18 in audited financial reports.

19 THE REPORTER: Are discussed
11:45:57 20 in what?

21 THE WITNESS: Audited
22 financial reports.

23 THE REPORTER: Thank you.

24 Q. What specifically is discussed in the
11:46:00 25 audited financial reports?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:46:04 1 A. Off the top of my head, I can't point to
2 them right now.

3 Q. Are they cited in your opinion report?

4 MS. JONES: Objection to

11:46:10 5 form.

6 A. I suspect they are later when I look at
7 what individual companies do.

8 Q. I'm sorry?

9 A. I suspect they are when later I look at
11:46:24 10 what particular companies do.

11 Q. Uh-huh. So with regards to MoneyGram,
12 can you describe specifically what facts support
13 your statement or opinion that XRP transactions
14 with MoneyGram constitute a medium of exchange?

11:46:51 15 MS. JONES: Objection to
16 form.

17 A. Well, MoneyGram provides a service for
18 which it is paid a medium of exchange in XRP.

19 Q. What service does MoneyGram provide that
11:47:05 20 you're referring to?

21 A. It maintains or helps facilitate the ODL
22 platform.

23 Q. What's the ODL platform?

24 A. On-demand liquidity.

11:47:21 25 Q. Do you know what the ODL does?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:47:23 1 A. Yes.

2 Q. What does it do?

3 A. It transfers money across international
4 jurisdictions, converting fiat currency in one
11:47:36 5 country to XRP, converting it via the ODL
6 platform -- transmitting it by the ODL platform
7 and then, at the other jurisdiction, converting it
8 back to the local currency.

9 Q. And are you providing an expert opinion
11:48:00 10 that this transaction with XRP constitutes a
11 medium of exchange?

12 A. For the purposes of this report, I
13 understand that XRP is being used as a medium of
14 exchange.

11:48:22 15 Q. When you say you understand, are you
16 making an assumption about the use of XRP in
17 connection with its MoneyGram transactions?

18 A. I wouldn't label it an assumption. It's
19 my understanding.

11:48:39 20 Q. What is your -- the basis for your
21 understanding?

22 A. From reading the way MoneyGram provides
23 the service via the ODL platform.

24 Q. Other than reading the way that
11:48:56 25 MoneyGram provides service via -- through the ODL

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:49:01 1 platform, is there anything -- I'm sorry, is there
2 anything in your professional background that
3 qualifies you to provide an opinion on whether or
4 not XRP -- MoneyGram -- whether or not XRP in
11:49:22 5 MoneyGram's transactions constitute a medium of
6 exchange?

7 MS. JONES: Objection to
8 form and that misstates his
9 testimony.

11:49:32 10 A. Perhaps you could restate the question.

11 Q. Well, let me read this.

12 I asked you what was the basis of your
13 understanding regarding the XRP MoneyGram
14 transaction and XRP being a medium of exchange.

11:50:00 15 And you stated it was from reading the
16 way MoneyGram provides the service via the ODL
17 platform.

18 Do you -- excuse me.

19 Do you have a specific basis in support
11:50:12 20 of this statement?

21 A. Yes.

22 Q. What is the basis?

23 A. I understand the economic substance of
24 the transaction, which is the service was provided
11:50:24 25 and it was paid for via XRP; hence, it's a medium

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:50:29 1 of exchange.

2 Q. We'll -- we'll get back to that shortly.

3 A. Okay.

4 Q. Moving on to the opinion you formed in
11:51:02 5 response to paragraph 9(ii), can you summarize the
6 response to the question posed in paragraph 9(ii)?

7 A. Yes. The answer is yes.

8 Q. Okay. So what -- what is the opinion
9 that you formed in response to paragraph 9(ii)?

11:51:36 10 A. Ripple accounted for sales of XRP as
11 sales of the intangible assets which it had
12 recorded on its balance sheet. They recorded them
13 as U.S. GAAP requires, as the sale of an
14 intangible at the current market value of that
11:52:14 15 intangible and the associated expense, which is
16 the amount at which the intangible is recorded on
17 the balance sheet.

18 Q. Okay. Well, in your opinion on -- in
19 paragraph 10(ii), you state that the available
11:52:46 20 guidance, among others, are inconsistent with the
21 notion that cryptocurrencies such as -- as XRP are
22 securities under GAAP.

23 Can you provide the basis for this
24 opinion?

11:53:09 25 A. Yes. Securities under U.S. GAAP have

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:53:22 1 associated financial obligations whether they're a
2 debt or an equity security. And those obligations
3 are -- are provided by the issuer of those debt
4 or -- and equity securities.

11:53:44 5 This is not the case with XRP.

6 Q. Okay. So how is XRP different, in your
7 opinion, from the securities that you describe for
8 GAAP purposes?

9 A. I -- I think I'd have to repeat what I
11:54:02 10 just said. I could do that if you would like.

11 Q. Okay. So how is XRP different than the
12 securities that you define under GAAP?

13 A. Securities under GAAP are associated
14 with rights and obligations associated with or
11:54:20 15 against the issuing -- issuer of the securities.
16 That's not the case with XRP.

17 Q. Have digital assets been considered as
18 securities under GAAP?

19 A. Considered?

11:54:55 20 Q. Yes.

21 A. Yes.

22 Q. How so?

23 A. They've been considered and the
24 conclusion is they are not.

11:55:04 25 Q. Okay. Can you point me to specifically

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:55:07 1 where under GAAP that digital assets have --

2 A. They've been considered by the AICPA,
3 PWC, EY, KPMG and Deloitte.

4 Q. Thank you.

11:55:25 5 Has GAAP promulgated any statement that
6 states that securities such as digital assets --
7 I'm sorry. Let me...

8 Have there been any promulgations under
9 GAAP that digital assets are not securities for
11:55:46 10 GAAP purposes?

11 MS. JONES: Objection to
12 form.

13 A. "Promulgation," if I understand that
14 word, would be done by the Financial Accounting
11:55:59 15 Standards Board. The Financial Accounting
16 Standards Board has not weighed in on accounting
17 for cryptocurrencies.

18 Q. Okay. Did you consider any facts in
19 support of your opinion that the treating of XRP
11:56:52 20 as a security under U.S. GAAP would be
21 inconsistent with the guidance and current
22 practices?

23 THE REPORTER: And what?

24 MS. GUERRIER: And current
11:57:04 25 practices.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:57:04 1 A. Yes.

2 Q. What facts?

3 A. There are no rights and obligations that
4 Ripple has to the holder of XRP of the forms such
11:57:21 5 as payment of interest, payment of principal,
6 residual claims on equity.

7 Q. Did you consider any documents that
8 support your opinion regarding XRP's treatment or
9 lack of treatment as a security under GAAP?

11:57:51 10 MS. JONES: Objection to
11 form.

12 A. I -- could you ask the question again,
13 please?

14 Q. Did you consider any documents in
11:57:59 15 support of your opinion that XRP is not a security
16 under GAAP?

17 A. Many of the documents that I relied
18 upon.

19 Q. Which documents?

11:58:16 20 A. I can't point to a particular document
21 right now.

22 Q. Did counsel provide you with any of the
23 documents that you considered in support of your
24 opinion that XRP is not a security under GAAP?

11:58:34 25 MS. JONES: And I'm going to

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:58:36 1 instruct you to answer that yes or
2 no.

3 A. Yes.

4 Q. Can you identify the documents that
11:58:41 5 counsel provided you --

6 MS. JONES: He can answer --

7 Q. -- that you considered in support of
8 your opinion that XRP is not a security under
9 GAAP?

11:58:49 10 MS. JONES: I'll -- I'll
11 instruct that you can answer and you
12 can provide any facts or assumptions
13 that counsel provided to you, but do
14 not disclose communications that you
11:58:58 15 had with counsel.

16 A. I believe I've answered the question.
17 My -- my recollection is that the documents
18 provided by counsel were the Ripple annual
19 reports.

11:59:11 20 Q. Anything other than the Ripple annual
21 reports --

22 A. That's --

23 Q. -- provided by counsel?

24 A. I don't recall any.

11:59:21 25 Q. Did you make any assumption in support

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

11:59:24 1 of your opinion that XRP is not a security under
2 GAAP?

3 A. No.

4 Q. Did you conduct any analysis in support
11:59:39 5 of your opinion that XRP is not a security under
6 GAAP?

7 MS. JONES: Objection to
8 form.

9 A. Yes. I read and understand the
11:59:57 10 definitions of securities under U.S. GAAP. And
11 XRP does not fall within those definitions.

12 Q. Is what you just described, the reading
13 of the definition of securities under GAAP, is
14 that your analysis in support of your opinion --

12:00:21 15 MS. JONES: Objection to
16 form.

17 Q. -- in 10(ii)?

18 A. It's understanding GAAP and
19 understanding the attributes of XRP.

12:00:35 20 Q. Okay. So moving on to the opinion that
21 you provided in response to Question 9(iii), can
22 you summarize the opinion that you provided in
23 response to the question of whether Ripple
24 accounted for -- properly accounted for
12:01:58 25 transactions in XRP as securities transactions?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:02:07 1 A. "It would be improper for Ripple to
2 account for sales and transactions involving XRP
3 as the offer and sale of securities under U.S.
4 GAAP."

12:02:14 5 Q. Okay.

6 A. "In contrast, Ripple's accounting for
7 sales of XRP as revenues and not as the issuance
8 of debt or equity securities is consistent with
9 U.S. GAAP's guidance for accounting for
12:02:27 10 consideration received in return for a company
11 delivering goods or providing or receiving
12 services as part of its ongoing operations."

13 Q. In your opinion in response to Question
14 9(iii), you state that -- are you stating that
12:02:52 15 your opinion is based on your understanding of the
16 offer and sales of XRP as alleged in the
17 complaint?

18 MS. JONES: Objection to
19 form.

12:03:09 20 A. Yes.

21 Q. What is your understanding of the offer
22 and sales of XRP as alleged in the complaint?

23 A. XRP is offered and sold to raise funds
24 to be used in Ripple's operations and to pay for
12:03:43 25 goods and services provided to Ripple.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:03:56 1 Q. Do you have -- did you consider any
2 facts in support of the statement that you just
3 described?

4 MS. JONES: Objection to
12:04:02 5 form.

6 A. I considered facts as described in the
7 annual reports for sure.

8 Q. Which reports?

9 A. Ripple and MoneyGram.

12:04:17 10 Q. What type of reports did you consider
11 the facts in?

12 A. Annual reports.

13 Q. Other than the annual reports, was there
14 any source for the facts that you considered in
12:04:32 15 support of this statement in your opinion to
16 Question 9(iii)?

17 MS. JONES: Objection to
18 form.

19 A. Possibly, but I can't recall them at
12:04:43 20 this point.

21 Q. Were there any documents that you
22 considered in support of your opinion in response
23 to Question 9(iii)?

24 A. Possibly, but I don't recall them right
12:05:00 25 now.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:05:07 1 Q. Did you make any assumptions in support
2 of your opinion in response to Question 9(iii)?

3 A. I don't believe so.

4 Q. Did you conduct any analysis in support
12:05:19 5 of your opinion in response to Question 9(iii)?

6 MS. JONES: Objection to
7 form.

8 A. Yes. I looked closely at the economic
9 substance of the transactions and determined what
12:05:40 10 accounting principles would comport with the
11 substance.

12 Q. Okay. In your opinion, what do you mean
13 by "debt securities"?

14 MS. JONES: Objection.

12:06:14 15 Asked and answered.

16 A. I believe, in fact, I give the best
17 definition of a debt security in my rebuttal
18 report, but for now, a debt -- debt security
19 represents a creditor relationship between the
12:06:36 20 debtor and the holder.

21 Q. What do you mean by "equity security" in
22 your opinion and response to the question in
23 9(iii)?

24 MS. JONES: Objection.

12:06:50 25 Asked and answered.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:06:53 1 A. An equity security involves an ownership
2 interest in the underlying entity.

3 Q. Are those definitions of debt security
4 and equity security definitions under GAAP?

12:07:17 5 A. They are consistent with GAAP
6 definitions, yes.

7 Q. What do you mean, "consistent with GAAP
8 definitions"?

9 A. Well, we can go back to the definitions
12:07:25 10 as provided by the AICPA.

11 Q. Okay.

12 A. That's probably what we should do.

13 Q. Does the A -- is the AICPA the
14 authoritative guidance for the definitions of debt
12:07:38 15 securities and equity securities?

16 A. Yes, and the definition is -- is on page
17 8 of my report.

18 Q. The definitions that you just provided,
19 do they differ from the AICPA's definitions of
12:07:55 20 those terms?

21 A. They're a paraphrased summary.

22 Q. What do you mean by "economic
23 substance"?

24 A. I mean -- this is a fundamental U.S.
12:08:29 25 Financial Accounting Standards Board concept. It

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:08:33 1 means the basic economics that underlie the asset
2 or the transaction involving such an asset.

3 Q. So does economic substance have a
4 technical meaning under GAAP?

12:09:27 5 MS. JONES: Objection to
6 form.

7 A. Economic substance is the -- defined in
8 the Statement of Accounting Concepts, I think it's
9 2. I can't cite the exact definition at this
12:09:47 10 point.

11 Q. Do you know if the Statement of
12 Financial Accounting Concept 2 refers to the
13 economic substance as vague -- a vague idea that
14 defies precise definition?

12:10:13 15 A. Please state the question again, please.

16 MS. JONES: Counsel, if
17 there's -- if you're reading
18 something that you'd like to show
19 him, that might be --

12:10:24 20 MS. GUERRIER: Thanks.

21 BY MS. GUERRIER:

22 Q. Do you know if the Statement of
23 Financial Accounting Concept No. 2 that you just
24 referred to refers to the term "economic
12:10:33 25 substance" as a vague idea that defies precise

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:10:36 1 definition?

2 MS. JONES: Objection to
3 form.

4 A. I wouldn't describe it that way.

12:10:42 5 Q. Do you know if the Financial Accounting
6 Concept 2 describes economic substance that way?

7 A. No.

8 Q. Is substance over form a mandatory
9 accounting principle?

12:11:07 10 MS. JONES: Objection to
11 form.

12 A. I don't -- I don't think the word
13 "mandatory" is appropriate here. It is a
14 fundamental account -- accounting principle.

12:11:32 15 Q. What distinction do you make between
16 mandatory and fundamental in this context of
17 deter -- describing economic substance for
18 accounting purposes?

19 A. I do know what fundamental means, and
12:11:46 20 what fundamental means is that it is the first
21 principle that an accountant would consider in
22 determining the attributes of the asset or the
23 transaction.

24 And given that it's expected to be
12:12:05 25 followed, you might call it mandatory, but I don't

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:12:09 1 know of that statement in the law. The concept is
2 a concept that the Financial Accounting Standards
3 Board always takes into account when developing
4 its accounting principles. It's something that
12:12:22 5 the Board, the six of them, consider all the time.

6 Q. Is there any formal definition for
7 substance?

8 A. I -- I think somewhere in this report --
9 I'm not sure where it is. It's in a footnote.
12:12:43 10 I've been trying to find it but I've yet to find
11 it. I do define -- take the FASB's concept
12 standard definition, but I'm not sure where it is
13 to be honest with you.

14 Q. Okay. Well, do you know if the
12:13:00 15 Financial Accounting Standards Board or any
16 authoritative body has provided a formal
17 definition of substance?

18 A. No.

19 Q. Okay. Do you know if the Financial
12:13:14 20 Accounting Standards Board or any authoritative
21 accounting entity has provided a formal def --
22 definition of economic substance?

23 A. I do not know, but I'd be surprised if
24 they have not.

12:13:34 25 Q. Okay. Do you know if the economic

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:13:37 1 substance concept under GAAP governs what
2 constitutes economic substance under federal
3 securities laws?

4 A. No.

12:13:48 5 Q. Are you providing any opinion that
6 economic substance under GAAP has any authority
7 over economic substance under federal securities
8 laws?

9 A. No.

12:14:00 10 MS. JONES: Object to form.

11 A. I am a GAAP expert.

12 THE REPORTER: I am not or I
13 am?

14 THE WITNESS: I am a GAAP
12:14:09 15 expert.

16 Q. So is the answer no?

17 A. I'm sorry, you will have to repeat the
18 question.

19 Q. Okay. So are you providing any opinion
12:14:17 20 that economic substance under GAAP has any
21 authority over economic substance under federal
22 securities laws?

23 A. No.

24 Q. Okay. So under GAAP are -- is there
12:15:01 25 only two -- well, let me rephrase that.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:15:04 1 Under GAAP are there only two
2 classifications for assets: Debt or equity
3 security?

4 MS. JONES: Objection to
12:15:11 5 form.

6 A. No.

7 Q. Well, what -- okay.

8 Can a digital asset under GAAP be --
9 fall under a category other than debt and equity
12:15:36 10 security --

11 MS. JONES: Objection to --

12 Q. -- for accounting purposes?

13 MS. JONES: Objection to
14 form.

12:15:46 15 A. I -- I don't understand the question. I
16 think I just said that it doesn't fall under
17 either category.

18 Q. I'm -- it doesn't fall under debt or
19 equity securities?

12:15:54 20 A. Correct.

21 Q. Okay. How would you classify a digital
22 asset that's considered a capital asset for
23 accounting purposes?

24 MS. JONES: Objection to
12:16:15 25 form.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:16:19 1 A. What is a capital asset?

2 Q. Do you know, based on your
3 qualifications, what a capital asset is for
4 accounting purposes?

12:16:28 5 A. No.

6 Q. Have you ever heard of the term "capital
7 asset" under GAAP?

8 A. No.

9 Q. Have you heard of the term "capital
12:16:40 10 assets" for accounting purposes?

11 A. I probably have, but I don't know the
12 context.

13 Q. Okay. Okay. Can you walk me through
14 the analysis you conducted in support of your
12:17:14 15 opinion and -- and response to Question 9(iii)?

16 MS. JONES: Objection to
17 form. Asked and answered.

18 A. Yes. I went through each of the
19 categories of assets as defined on page 8 as the
12:17:49 20 FASB definitions and I determined after ruling out
21 all other asset forms that XRP was an intangible
22 asset. And it follows that sales of XRP were
23 sales of intangible assets under U.S. GAAP and
24 treated as such by XRP and others.

12:18:28 25 Q. Okay.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:18:29 1 A. By Ripple and others. I stand
2 corrected.

3 Q. If you turn to page 19 of your report.
4 In the first sentence in paragraph 43, you state
12:19:09 5 that Ripple provides global financial settlement
6 solutions based on blockchain technology. And I'm
7 paraphrasing.

8 What is the basis for this statement?

9 A. Ripple's consolidated financial
12:19:25 10 statements for the years ended December 31, 2020
11 and 2019.

12 Q. Okay. In the second sentence, you refer
13 to payment being utilized and open-source XRP
14 ledger.

12:19:50 15 What do you mean by "open source"?

16 A. It is accessible by many.

17 Q. What is the basis for your statement
18 regarding open source?

19 A. Ripple's consolidated financial
12:20:04 20 statements for the years ended December 31, 2020
21 and 2019.

22 Q. You also use the term "liquidity" in
23 that paragraph.

24 What do you mean by "liquidity"?

12:20:19 25 A. An ability to transact.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:20:26 1 Q. I'm sorry, an ability?

2 A. To transact.

3 Q. Okay. And what is the basis for your
4 definition of liquidity?

12:20:35 5 A. Forty years of experience in the finance
6 industry.

7 Q. Turning to paragraph 45 of your report,
8 are you providing any opinion regarding Ripple's
9 use of escrow?

12:21:47 10 MS. JONES: Objection to
11 form.

12 A. No. Not in this paragraph.

13 Q. Okay. Are you providing any opinion
14 about Ripple's use of escrow in your opening
12:21:58 15 report under GAAP?

16 A. I don't believe so.

17 Q. Okay. Would you turn to paragraph 55 of
18 your report?

19 Can you explain what you consider
12:23:10 20 monetary XRP transactions?

21 MS. JONES: Objection to
22 form.

23 A. In this context, it is the sale of XRP
24 for a monetary consideration.

12:23:35 25 Q. What is the basis for this statement?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:23:49 1 A. Ripple's 2020 annual financial
2 statement.

3 Q. In the second sentence in paragraph 55,
4 you -- you state that you understand that XRP
12:24:02 5 purchase -- I mean, third parties purchase XRP --
6 and I'm paraphrasing -- to facilitate transactions
7 across foreign current exchanges using Ripple's
8 Wallet Send/ODL product.

9 What's the basis for this statement?

12:24:21 10 A. This, I believe, also came from the 2020
11 annual report.

12 Q. And on the last sentence of paragraph
13 55, you state that "Ripple's sales of XRP 'serve
14 as a source of capital to fund the company's
12:24:51 15 operations' and are made 'for the purpose of
16 providing liquidity to customers.'"

17 What is the basis for this statement?

18 A. Ripple's 2018 annual financial
19 statement.

12:25:13 20 Q. Did you independently verify any of the
21 statements that are contained in paragraph 55 to
22 determine their reliability?

23 MS. JONES: Objection to
24 form.

12:25:28 25 A. I saw nothing to lead me to question the

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:25:31 1 reliability and I observed that these annual
2 reports are audited by reputable auditing firms.

3 Q. Okay. Can you describe how Ripple
4 accounts for its sales of XRP?

12:26:08 5 A. Yes. They record the receipt of cash
6 and the sale.

7 Q. So are these sales connected, in your
8 opinion, with Ripple's business operations?

9 MS. JONES: Objection to
10 form.

11 A. The sale is a business operation.

12 Q. Do you know if Ripple has conducted
13 sales that are not connected with its business
14 operations?

12:26:38 15 MS. JONES: Objection to
16 form.

17 A. I don't know what that would mean.

18 Q. Do you know if Ripple sold XRP that were
19 held for investment purposes?

12:26:51 20 MS. JONES: Objection to
21 form.

22 A. No. I really don't understand what that
23 means.

24 Q. Do you know if Ripple only sells XRP
12:27:24 25 in -- in connection with its business operations?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:27:26 1 MS. JONES: Objection to
2 form.

3 A. I do know that Ripple sold XRP in order
4 to generate cash which it then used in its
12:27:49 5 operations.

6 Q. What is the basis for your statement
7 that Ripple sold XRP in order to generate cash
8 which was then used in its operations?

9 MS. JONES: Objection to
12:28:07 10 form. Asked and answered.

11 A. Ripple's 2018 annual financial
12 statement.

13 Q. What in Ripple's 2018 annual financial
14 statement support your statement that Ripple sold
12:28:23 15 XRP in order to generate cash which it used for
16 its operations?

17 A. In the last sentence of paragraph 55, I
18 quote from that report, which the quote is that
19 "Ripple's sales of XRP also serve as a source of
12:28:43 20 capital to fund the company's operations."

21 Q. In your experience, do you know if
22 digital assets can be held by a company for
23 investment purposes?

24 A. Do I know it --

12:28:58 25 Q. In your --

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:28:58 1 A. -- state the question again.

2 Q. Yeah, I'll repeat the question verbatim.

3 In your experience, do you know if

4 digital assets can be held by a company for

12:29:07 5 investment purposes?

6 A. Companies hold crypto assets for

7 investment purposes, yes.

8 Q. Do you know if Ripple holds any XRP for

9 investment purposes?

12:29:21 10 A. No. I didn't analyze that.

11 Q. Okay. Are you making a distinction

12 between monetary transactions and nonmonetary

13 transactions?

14 A. Yes.

12:29:45 15 Q. What is the distinction that you're

16 making?

17 A. A monetary transaction is the sale of

18 XRP to get cash. A nonmonetary transaction -- and

19 this is an accounting definition of a nonmonetary

12:30:11 20 transaction. It is the use of XRP as payment for

21 a service or a supplier, a good.

22 THE REPORTER: What was the

23 last word?

24 THE WITNESS: A good.

12:30:33 25 Q. Do you know whether XRP had any

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:30:36 1 nonmonetary transactions in this case?

2 A. Yes.

3 Q. What types of --

4 MS. JONES: I -- you said

12:30:41 5 XRP. I assume you mean Ripple.

6 Q. Ripple -- thank you -- had any
7 nonmonetary transactions in this case?

8 A. Yes.

9 Q. Okay. What types of nonmonetary
12:30:51 10 transactions did Ripple have in this case?

11 A. Well, particularly what is described in
12 the second sentence of paragraph 55.

13 Q. Okay. Can you state what nonmonetary --

14 A. This was -- they -- they paid MoneyGram
12:31:08 15 in XRP for the provision of services with respect
16 to their on-demand liquidity platform.

17 Q. Any other nonmonetary transactions by
18 Ripple?

19 A. Yes. Compensation to employees.

12:31:47 20 Q. Anything else with regard to nonmonetary
21 transactions?

22 A. I think there are four different types
23 of transactions that I list in my rebuttal report,
24 but I can't recall them off the top of my head.

12:32:02 25 Q. Okay. Okay. In general, can you tell

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:32:07 1 us how Ripple accounts for nonmonetary
2 transactions?

3 A. Yes. It depends on whether the XRP is
4 held as purchased XRP or XRP as originally
12:32:35 5 available from the date of the formation of
6 Ripple. If we talk about the former, the sale is
7 recorded at the time of payment in a nonmonetary
8 transaction. A sale is recorded of the XRP at the
9 current dollar value of XRP and the corresponding
12:33:03 10 expense is reported as the associated value of the
11 asset as recorded as an intangible long-lived
12 asset.

13 Q. Okay. Do Ripple's sales of XRP
14 constitute monetary tran -- monetary transactions?

12:33:34 15 MS. JONES: Objection to
16 form.

17 A. I think both monetary and nonmonetary.

18 Q. Okay. In what context can they be
19 considered monetary transactions?

12:33:51 20 A. Monetary is sale for cash. Nonmonetary
21 is sale for products or services.

22 Q. Do the journal entries for monetary
23 sales of XRP and nonmonetary sales for XRP differ?

24 A. Yes.

12:34:17 25 Q. How do they differ?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:34:19 1 A. One recognizes sale and corresponding
2 cash; the other recommend -- recognizes sale and a
3 corresponding expense.

4 Q. Do -- does the journal entries for the
12:34:40 5 nonmonetary sales affect the cash amount for
6 Ripple on its financial statement?

7 A. Yes.

8 Q. How so?

9 A. The -- there's two transactions.
12:35:02 10 There's a sale for which there -- cash is
11 received, recorded, and there's an expense for
12 which there's a reduction in cash.

13 Q. Is this the nonmonetary transaction
14 that --

12:35:15 15 A. Right.

16 Q. -- you're describing?

17 A. Right.

18 Q. And how would it differ with regard to
19 the monetary sale?

12:35:19 20 A. It's just a sale in cash.

21 Q. Sale in cash.

22 So does Ripple maintain an internal
23 supply of XRP?

24 MS. JONES: Objection to
12:35:58 25 form.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:36:04 1 A. They have XRP. Ripple holds XRP, yes.

2 Q. Okay. Is there any document that you
3 can point to that shows how Ripple holds its
4 supply of XRPs?

12:36:29 5 MS. JONES: Objection to
6 form.

7 A. I think it's quite clearly stated in the
8 annual reports.

9 Q. Do you know how Ripple accounts for the
12:36:41 10 XRP that it holds?

11 A. Yes. As intangible long-lived assets.

12 Q. Are those intangible long-lived assets
13 recorded on the balance sheet?

14 A. Yes.

12:36:56 15 Q. How are they recorded on the balance
16 sheet?

17 A. At the price paid or the impaired value,
18 whichever is the lower.

19 Q. Is the XRP that is reported as an
12:37:16 20 intangible long-lived asset characterized as a
21 capital asset on Ripple's --

22 MS. JONES: Object --

23 Q. -- balance sheet?

24 MS. JONES: Objection to
12:37:24 25 form.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:37:27 1 A. I think I've said before I don't know
2 what you mean by "capital asset."

3 Q. Okay. I'm sorry.

4 Is it -- is the XRP that is reported as
12:37:41 5 an intangible long-lived asset characterized on
6 the balance sheet as an asset held for investment
7 purposes?

8 MS. JONES: Objection to
9 form.

12:37:54 10 A. No.

11 Q. Would you be able to tell which portion
12 of the XRP that's -- that's held by Ripple is
13 considered XRP that's held for investment
14 purposes?

12:38:11 15 MS. JONES: Objection to
16 form.

17 A. U.S. GAAP would require Ripple to be
18 identified as an investment company under the 1940
19 Investment Act in order for Ripple to record XRP
12:38:40 20 on its balance sheet as an asset for investment
21 purposes.

22 Q. How do entities who hold digital assets
23 for investment record those assets on their
24 balance sheets?

12:39:07 25 A. I know three big companies that are

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:39:09 1 publicly traded -- and, therefore, I can read
2 their annual reports -- who report them as
3 long-lived intangible assets.

4 Q. Do you know how a gain on the long-lived
12:39:25 5 intangible asset, as you just defined, would be
6 accounted for under GAAP?

7 A. Yes. It would not be accounted for.

8 Q. Why not?

9 A. It's not permitted under U.S. GAAP.
12:39:38 10 Intangible assets can be written down. They
11 cannot be written up.

12 Q. Okay. You -- can a digital asset be
13 considered a nonintangible asset?

14 MS. JONES: Objection to
12:40:00 15 form.

16 A. I've considered all of the assets as
17 listed under the FASB definitions and I don't see
18 how it could be.

19 Q. Okay. Well, is it because the Financial
12:40:19 20 Accounting Standards Board has not addressed the
21 issue of whether a digital asset should just be a
22 regular asset?

23 A. I don't have an opinion --

24 MS. JONES: Objection to
12:40:32 25 form.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:40:34 1 A. -- one way or the other.

2 Q. Okay. If you turn to page 27 of your
3 report and Section C.

4 What do you mean by "XRP derivative
12:41:17 5 transactions"?

6 A. "In connection with various contractual
7 arrangements, the company" -- Ripple -- "gave
8 rights to third parties to purchase XRP. As of
9 December 31, 2020, options to purchase [REDACTED]
12:41:31 10 XRP remained outstanding, with average per XRP
11 price of less than [REDACTED]. All outstanding
12 options are vested and exercisable as of December
13 31, 2020, are included in XRP derivative liability
14 with an intrinsic value of [REDACTED]."

12:42:00 15 Q. Is there a GAAP definition of derivative
16 transactions?

17 A. Yes.

18 Q. What is it?

19 A. It's a transaction that is derived based
12:42:12 20 on some underlying entity.

21 Q. Can you give some examples of derivative
22 transactions?

23 A. Well, there's one here, of course. We
24 could have a derivative transaction on almost
12:42:27 25 anything. It could be an option on whether it was

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:42:33 1 going to snow in New York tomorrow.

2 Q. What specific derivative transaction
3 does Ripple have that it's accounted for?

4 MS. JONES: Objection to

12:42:45 5 form.

6 A. I -- I don't know what to say other than
7 reread what I just read.

8 Q. Is the derivative transaction that
9 you're referring to in paragraph 64 an option?

12:43:01 10 A. Yes.

11 Q. What is the option for?

12 A. The option is to purchase 186 million,
13 but -- the option's to purchase XRP of which, at
14 this point in time, 186 million remained
15 outstanding. It's an option to purchase XRP.

12:43:20 16 Q. How is the derivative transaction that
17 you described in paragraph 64 accounted for by
18 Ripple?

19 A. It's accounted for under the accounting
12:43:39 20 for derivatives, which is a very special
21 accounting standard --

22 Q. Okay.

23 A. -- that is accounted at the value of the
24 option, which is calculated as of the date of
12:43:50 25 grounding the option and then vested.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:43:57 1 THE REPORTER: And then?

2 THE WITNESS: Vested,

3 V-E-S-T-E-D.

4 Q. Does the -- does -- does Ripple's
12:44:03 5 accounting for -- let me strike that.

6 Do Ripple's derivative transactions have
7 any effect on whether or not XRP is a security
8 under GAAP?

9 A. Absolutely not.

12:44:23 10 Q. Why not?

11 A. The existence of a derivative on an
12 underlying -- which is the term that's usually
13 used. The existence of a derivative on an
14 under -- underlying does not mean -- does not
12:44:42 15 affect the characteristics of the underlying. The
16 underlying in this case being XRP.

17 Q. So in paragraph 67, you quote Ripple's
18 audited financial statements which describe the
19 accounting treatment for derivatives.

12:45:26 20 So can you explain whether gains
21 resulting from settling of derivatives to XRP have
22 any effect on Ripple's financial statements?

23 MS. JONES: Objection to
24 form.

12:45:46 25 A. Please repeat the question.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:45:48 1 Q. Sure.

2 In paragraph 67, you quote Ripple's
3 audited financial statements which describe the
4 accounting treatment for derivatives.

12:46:01 5 Can you explain whether gains resulting
6 from settling of derivatives through XRP have any
7 effect on Ripple's financial statements?

8 A. I can't explain whether, but they don't
9 have any effect.

12:46:24 10 Q. Okay. So can you explain the statement
11 that says "Any gains resulting from settling of
12 derivatives through delivery of XRP are presented
13 in realized gains on XRP derivatives"?

14 A. It's all about the derivative. Has
12:46:41 15 nothing to do with the underlying, which is XRP.

16 Q. Okay. So is there a separate
17 recognition for the -- for accounting purposes for
18 the derivatives?

19 A. Yes.

12:46:53 20 Q. Is that separate and distinct from XRP,
21 the underlying?

22 A. Yes.

23 Q. Okay. Okay. So how are realized gains
24 accounted for with respect to the derivatives?

12:47:08 25 A. Well, there's a gain on the derivative

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:47:11 1 which was reported through the income statement as
2 a gain. Has nothing to do with the underlying.
3 It's all about the derivative.

4 Q. Okay.

12:47:44 5 MS. JONES: How are you
6 doing, Peter?

7 THE WITNESS: Let's stick it
8 out till 1.

9 MS. JONES: Is that okay
12:47:50 10 with --

11 MS. GUERRIER: What do you
12 want?

13 MS. JONES: If we go another
14 ten minutes, is that okay with you?

12:47:55 15 MS. GUERRIER: Sure. Yeah.
16 That's fine.

17 BY MS. GUERRIER:

18 Q. So when you discuss equity securities in
19 your opinion in response to Question 9(iii),
12:48:29 20 you're specifically referring to equity securities
21 under GAAP as that term is defined?

22 A. Yes.

23 Q. Okay. Can you give some examples of
24 equity securities?

12:48:54 25 A. Anything that's traded on the New York

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:48:59 1 stock exchange is an equity security. Any share
2 of a company, I'm sorry, that's traded on the New
3 York stock exchange is an equity security.

4 Q. Is a common stock an equity security?

12:49:10 5 A. A common stock in a publicly traded
6 company is an equity security. And in general,
7 yes, it's an equity security.

8 Q. If a digital asset were traded on a
9 public exchange, would that be considered an
12:49:30 10 equity security?

11 MS. JONES: Objection to
12 form.

13 A. Under GAAP?

14 Q. Yes, under GAAP.

12:49:38 15 A. No.

16 Q. Why not?

17 A. Because -- we go back to the
18 definitions. It doesn't fit the definitions. We
19 can go back to the definitions. Should we do
12:49:46 20 that?

21 Q. No.

22 But is it possible that the definition
23 could change to include a digital asset that's
24 traded on a common exchange?

12:49:53 25 MS. JONES: Objection to

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:49:53 1 form.

2 A. Anything's possible.

3 Q. Well, the Financial Accounting Standards
4 Board has not addressed whether a digital asset
12:50:11 5 that's traded on a -- an ex -- a public exchange
6 is an equity security?

7 A. The finan --

8 MS. JONES: Objection to
9 form.

12:50:23 10 A. The Financial Accounting Standards Board
11 has explicitly stated that it has not developed a
12 standard on cryptocurrency.

13 Q. Okay. And can you give an example of a
14 debt security?

12:50:44 15 A. Sure. It's any security that involves
16 an obligation by the issuer of that debt to pay
17 the owner of that debt a fixed amount and an
18 associated predetermined interest rate.

19 Q. Under the definition of securities, the
12:51:31 20 GAAP definition of securities that you described
21 earlier, are there only the possibility that FASB
22 has determined to be securities that are
23 considered securities?

24 MS. JONES: Objection to
12:51:53 25 form.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:51:57 1 A. I -- I don't understand that.

2 Q. I'll -- I'll -- I'll ask a clearer
3 question.

4 A. Okay. Thank you.

12:52:06 5 Q. Do you recall where in your report you
6 define securities under GAAP?

7 A. Yes.

8 Q. Could you please point to that section
9 of your report?

12:52:14 10 A. Sure. Page 17.

11 Q. So is it possible for FASB to expand the
12 definition of security to include digital assets?

13 MS. JONES: Objection to
14 form.

12:52:58 15 A. I don't have an opinion one way or the
16 other.

17 Q. Why not?

18 A. I haven't considered the possibility of
19 the FASB's likely promulgation.

12:53:18 20 Q. With regards to digital assets?

21 A. Correct.

22 Q. Okay. Can you please turn to page 33 of
23 your report?

24 A. Okay.

12:54:17 25 Q. In paragraph 82, you state that "Ripple

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:54:20 1 generates revenue from the sales of XRP to
2 facilitate cross-border payments."

3 What is the basis for this statement?

4 A. I -- I believe it's information that's
12:54:42 5 provided in the annual financial statements.

6 Q. Do you know -- do you have an
7 understanding of what "cross-border payments"
8 means?

9 A. Yes.

12:54:54 10 Q. What does it mean?

11 A. It means payment across international
12 boundaries that generally involves a change in
13 currency.

14 Q. Is this a term that's used under GAAP?

12:55:09 15 MS. JONES: The term being
16 "cross-border payments"?

17 MS. GUERRIER: Yes.

18 A. Possibly. I don't know one way or the
19 other.

12:55:28 20 Q. Where did you obtain your definition of
21 cross-border payments?

22 A. I don't believe I did obtain a
23 definition.

24 Q. Okay. You also state that Ripple
12:55:46 25 generates monetary revenue from XRP transactions

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:55:53 1 in which the company pays for services with XRP?

2 A. Yes.

3 Q. Are these the only types of transactions
4 that you're aware of that Ripple conducts?

12:56:05 5 MS. JONES: I'm sorry, this
6 is the transcript. It's nonmonetary.

7 MS. GUERRIER: Nonmonetary
8 revenue. Thank you.

9 A. Yes. I think they fall under one
12:56:18 10 category or the other.

11 Q. Okay. What is the basis for your
12 statement that Ripple's sales for under the
13 categor -- the two categories described in
14 paragraph 82 of your report?

12:56:30 15 A. The descriptions in the annual report.

16 Q. In paragraph 85 on -- of your report,
17 you state that you're not aware of any accounting
18 standards or guidance that would provide support
19 for treating Ripple as an investment company.

12:57:25 20 Is that an accurate statement?

21 MS. JONES: Sorry, where is
22 that? Oh, it's on the next page.

23 THE WITNESS: Okay.

24 MS. GUERRIER: Paragraph 85.

12:57:40 25 At the beginning of -- at the top --

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:57:42 1 A. That is an accurate statement, yes.

2 Q. Yes. What's the basis for this
3 statement?

4 A. I know what I'm aware of and what I'm
12:57:49 5 not aware of.

6 Q. Okay. And how are you aware of -- how
7 are you not aware of any accounting standard that
8 would provide support for treating Ripple as an
9 investment company?

12:58:09 10 THE REPORTER: For? I
11 didn't hear that. For?

12 MS. GUERRIER: As an
13 investment company?

14 MS. JONES: Objection to
12:58:12 15 form.

16 A. I -- I'm really sorry. I don't know how
17 to answer that question. I can't really describe
18 why I'm aware or not.

19 Q. Okay.

12:58:21 20 A. And as a scholar, I'm a scholar, I read
21 a lot.

22 Q. What type of literature do you read that
23 you think support this statement?

24 MS. JONES: Objection to
12:58:33 25 form.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:58:39 1 A. I feel as if I know the accounting
2 standards pretty well.

3 Q. Okay.

4 A. I write -- I write the most used
12:58:54 5 textbook.

6 THE REPORTER: I'm sorry, I
7 can't under -- write the what?

8 THE WITNESS: Most used
9 textbook.

12:59:05 10 Q. Are all of the opinions in your report
11 limited to the accounting -- limited to the
12 accounting treatment of XRP under GAAP?

13 MS. JONES: The opening
14 report?

12:59:22 15 MS. GUERRIER: The report
16 that we've been talking about for
17 several hours.

18 A. Yes.

19 MS. GUERRIER: Okay. I
12:59:29 20 think we can take a break now.

21 THE WITNESS: Okay.

22 MS. GUERRIER: Okay.

23 THE VIDEOGRAPHER: Okay.

24 Going off the record at 12:59.

12:59:37 25 (Whereupon, a recess is taken.)

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

12:59:37 1 THE VIDEOGRAPHER: Okay.

2 We're back on the record at 1:33.

3 BY MS. GUERRIER:

4 Q. Professor, do you know why
13:33:47 5 cryptocurrencies are not considered cash or cash
6 equivalents under GAAP?

7 A. Yes.

8 MS. JONES: Objection.

9 Asked and answered.

13:33:54 10 Q. Why not?

11 A. Because they're not readily converted to
12 fiat currency.

13 Q. What do you mean by "fiat currency"?

14 A. I can best describe that by means of an
13:34:09 15 example. The U.S. dollar, the euro, the British
16 pound, Swiss franc.

17 Q. Okay.

18 (Whereupon, exhibit is presented
19 and marked SEC Easton Deposition
13:34:50 20 Exhibit 3 for identification.)

21 THE WITNESS: Thank you.

22 NS. JONES: This is 3?

23 MS. GUERRIER: Yes.

24 BY MS. GUERRIER:

13:35:30 25 Q. Professor, I've handed you a document

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

13:35:31 1 that's been premarked as Exhibit 3.

2 Do you recognize that document?

3 A. Yes, I do.

4 Q. What is the document?

13:35:38 5 A. It is the expert rebuttal report put
6 forward by myself.

7 Q. Okay. When did you finalize the
8 rebuttal report that's been premarked as Exhibit
9 3?

13:35:58 10 MS. JONES: Objection to
11 form.

12 A. November 12, 2021.

13 Q. Okay. Has anything changed from
14 November 12th, 2021, until today that would change
13:36:10 15 any of your opinions in the rebuttal that you've
16 submitted?

17 A. Not that I'm aware of.

18 Q. Could you please state what specific
19 subject matters you are rebutting?

13:36:33 20 MS. JONES: And objection to
21 form.

22 A. Yes. First, "Do Ripple's transfers and
23 sales of XRP in order to, among other things,
24 finance operations or generate funds for share
13:36:53 25 repurchases support the determination, under U.S.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

13:36:57 1 GAAP, that the economic substance of those
2 transactions are sales of stock as Professor
3 [REDACTED] opines?"

4 Second, arguing -- "Assuming, arguendo,
13:37:14 5 as set forth in the SEC's expert reports, that
6 'Ripple used XRP in a similar manner as companies
7 use stock' by, for example, compensating
8 executives with XRP and engaging in actions to
9 limit the supply or otherwise support the market
13:37:29 10 price of XRP (e.g., through lock-up provisions,
11 Ripple's escrow and limited release of not more
12 than 1 billion XRP per month, and XRP purchases),
13 does this" determine -- "does this require a
14 determination under U.S. GAAP that Ripple's
13:37:49 15 transfers and sales of XRP were sales of equity or
16 debt securities?"

17 Third, "Does the fact that Ripple paid
18 certain business partners and vendors for services
19 in XRP rather than fiat currency require a
13:38:06 20 determination under U.S. GAAP that Ripple's
21 transfers and sales of XRP were sales of equity or
22 debt securities?"

23 Fourth, "Do MoneyGram's disclosures" in
24 the SEC filings -- "in its SEC filings with
13:38:22 25 respect to the XRP it received from Ripple for

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

13:38:25 1 facilitating international foreign exchange
2 transactions on Ripple's ODL platform reflect a
3 determination that, under U.S. GAAP, Ripple's
4 transfers and sales of XRP to MoneyGram
13:38:36 5 constituted sales of equity or debt securities?"

6 Q. Thank you.

7 Does paragraph 2 contain all of the
8 subject matters that you have submitted your
9 rebuttal report about?

13:38:56 10 A. Yes.

11 Q. What experts do you disagree with in
12 your rebuttal report?

13 MS. JONES: Objection to
14 form.

13:39:21 15 A. What experts?

16 Q. Do you disagree with in your rebuttal
17 report?

18 MS. JONES: Same objection.

19 A. I -- I rebut Professor [REDACTED] and Mr.
13:39:32 20 [REDACTED]. I'm not sure whether that answers the
21 question.

22 Q. Does Professor [REDACTED] provide any
23 opinion in his report about the accounting
24 treatment of XRP under GAAP?

13:39:52 25 A. No.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

13:39:58 1 Q. Does Mr. [REDACTED] provide any opinion in
2 his report about the accounting treatment of XRP
3 under GAAP?

4 A. No.

13:40:26 5 Q. Why are you rebutting Professor
6 [REDACTED] report?

7 MS. JONES: Objection to
8 form.

9 A. I was asked to write a rebuttal and I
13:40:45 10 disagreed with points that had been made.

11 Q. Okay. And why did you submit a rebuttal
12 regarding [REDACTED] report?

13 MS. JONES: And I'll just
14 instruct you not to disclose any
13:41:03 15 substantive communications that you
16 had with counsel.

17 A. I -- I really don't understand the
18 difference between that question and the question
19 that I just answered. The answer's the same.

13:41:13 20 Q. I'm sorry?

21 A. I really do not understand -- I
22 apologize -- the difference between the question
23 you just asked and the previous question, and so
24 the answer remains the same.

13:41:22 25 Q. Yeah. So my first question was about

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

13:41:25 1 Professor [REDACTED] and my second question is about
2 [REDACTED]

3 A. I apologize. I thought you mentioned
4 both in the first question, but the answer's the
13:41:33 5 same for [REDACTED]

6 Q. Okay. Have -- are all of the opinions
7 that you formulated regarding your rebuttal to
8 Mr. [REDACTED] and Mr. [REDACTED] contained in the
9 rebuttal report that you submitted?

13:41:57 10 A. Yes.

11 Q. Okay. Going to your -- the first
12 question that you're answering, what is the
13 opinion in response to your question in paragraph
14 2(i)?

13:42:46 15 MS. JONES: Objection to
16 form.

17 A. The opinion is no.

18 Q. Can you elaborate, please?

19 A. "Ripple's transfers and sales of XRP in
13:43:07 20 order to, among other things, finance operations
21 or generate funds for share repurchases do not
22 support the determination under U.S. GAAP that the
23 economic substance of those transactions are sales
24 of stock as Professor [REDACTED] opines."

13:43:25 25 Q. Are you using the term "economic

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

13:43:26 1 substance" in a similar manner that you used it
2 when we discussed your original report?

3 A. Yes.

4 Q. Did anyone assist you in formulating
13:43:47 5 this opinion?

6 MS. JONES: And I'll
7 instruct you, again, not to disclose
8 any communications you had with
9 counsel in responding to that
13:43:56 10 question.

11 A. This is my opinion. In forming this
12 opinion, I worked with Jennifer Milliron who
13 worked through all of the relevant documents with
14 me under my supervision.

13:44:14 15 Q. Who wrote the rebuttal report?

16 A. I did.

17 Q. What is the basis for your opinion that
18 Professor [REDACTED] opinion incorrectly conflates
19 the economic substance of Ripple's sales of XRP
13:44:44 20 with Ripple's subsequent use of the proceeds from
21 those sales?

22 A. The economic substance that -- of what
23 Professor [REDACTED] discusses is two transactions.
24 One is the sale. That sale yields funds. That's
13:45:13 25 one event, one transaction.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

13:45:16 1 There's a separate transaction, which is
2 the use of those funds in operations. That one is
3 used for the other does not help in the
4 identification of the sale as a security or
13:45:40 5 whatever.

6 Q. Does Professor [REDACTED] provide an
7 opinion on the economic substance of Ripple's
8 sales of XRP?

9 MS. JONES: Objection to
13:45:57 10 form.

11 A. Per se, no.

12 Q. What is your -- the basis in support of
13 your opinion that even if XRP were used in a
14 similar manner as companies use stock, this would
13:46:31 15 not change the economic substance of the
16 transaction under GAAP for accounting purposes?
17 And I'm paraphrasing your opinion.

18 A. I think I just answered that question,
19 but to provide some color, firms fund their
13:46:50 20 operations from various sources. It can be out of
21 operations or it can be any financing activity.
22 But the form of the funding that's used for
23 operations cannot be used to define the form of
24 the funding. They're two separate transactions
13:47:16 25 that are clearly not only separate, but separable.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

13:47:22 1 Q. Is your analysis that you just provided
2 based upon general accounting principles?

3 A. I couldn't think of any accountant that
4 wouldn't analyze two transactions quite separately
13:47:36 5 and recognize that they have independent economic
6 substance.

7 Q. Do you know whether the analysis that
8 you've conducted with respect to economic
9 substance and GAAP is similar to any analysis that
13:48:01 10 Professor [REDACTED] would be conducting in regards
11 to the federal securities laws?

12 MS. JONES: Objection to
13 form.

14 A. I don't know what Professor [REDACTED] is
13:48:10 15 or is not doing.

16 Q. Okay. Well, do you know whether
17 Professor [REDACTED] is examining the economic
18 substance of XRP transactions under GAAP in his
19 report?

13:48:36 20 A. In his report?

21 Q. Yes.

22 A. He doesn't mention GAAP.

23 Q. Okay. In your opinion, in response to
24 the question in paragraph 2(i), you state that
13:49:06 25 even if Ripple used the proceeds from sales of XRP

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

13:49:10 1 to fund operations and compensate or incentivize
2 users, this would not change your conclusion under
3 GAAP that those transactions are not sales of --
4 of equity or debt securities --

13:49:25 5 A. I'm sorry, where are you reading from?

6 Q. This is your -- your paragraph 3(i).

7 A. 3(i)?

8 Q. Yes.

9 A. The fact that Ripple may have paid? Is
13:49:53 10 that the paragraph?

11 Q. Yes.

12 A. And, I'm sorry, what was the question?

13 Q. Well, what -- what's the basis in
14 support of your second sentence in paragraph 3(i)?

13:50:14 15 A. It's the same as I have answered before.
16 The source of the funds used to pay business
17 partners or vendors for services is quite separate
18 from and independent upon the use of those funds.
19 They're two separate transactions. They should
13:50:34 20 not be conflated. It doesn't mean anything to
21 conflate them. Or I should say it's meaningless.

22 Q. Does Professor [REDACTED] conflate the
23 source or use of funds by Ripple in connection
24 with any accounting treatment of XRP?

13:51:04 25 MS. JONES: Objection to

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

13:51:04 1 form.

2 A. Professor [REDACTED] doesn't discuss
3 accounting treatment.

4 Q. Okay. Did you conduct any analysis in
13:51:37 5 support of your opinion in paragraph 3(i)?

6 MS. JONES: Objection to
7 form.

8 A. I -- you know, 40 years of experience
9 tells me that this fact does not mean under U.S.
13:52:10 10 GAAP that economic substance of these transactions
11 were sales of equity or debt securities --

12 THE REPORTER: I'm sorry,
13 I'm not -- you need to speak up, sir.
14 "Does not mean under U.S. GAAP"?

13:52:16 15 A. The economic substance of those
16 transactions were sales of equity or debt
17 securities. I'm sorry.

18 Q. And if you could turn to paragraph 7 of
19 your report, you discuss the compensation of
13:53:20 20 executives using XRP.

21 A. You're looking at 8, paragraph 8?

22 Q. Actually I'm -- I'm still on paragraph
23 7.

24 A. Okay.

13:53:34 25 Q. So can you --

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

13:53:35 1 A. Oh, I beg your pardon.

2 Q. Yes.

3 Can you please describe how Ripple uses
4 XRP to pay executives and how that affects GAAP?

13:53:50 5 MS. JONES: Objection to
6 form.

7 A. The payment itself has no effect on
8 GAAP. The payment is recorded under GAAP as a
9 sale of X -- XRP and an associated expense.

13:54:12 10 Q. So can you explain what you disagree
11 with in [REDACTED] report with respect to the
12 similarities between XR -- how Ripple utilizes XRP
13 and how companies utilize common stock for -- for
14 GAAP purposes?

13:54:38 15 A. Can you restate the question, please? I
16 don't think I understand.

17 Q. Okay. Can you explain what you disagree
18 with in [REDACTED] report with re -- with respect
19 to the similarities between how you -- Ripple
13:54:52 20 utilizes XRP and how companies utilize common
21 stock for GAAP purposes?

22 MS. JONES: Objection to
23 form.

24 A. I don't disagree with the purported
13:55:06 25 similarities. I disagree with the implication

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

13:55:12 1 that the source of -- a source of funds to fund
2 operations could be use of common stock or it
3 could be XRP. And, therefore, there's something
4 that suggests that XRP may have characteristics
13:55:44 5 that are those of common stock.

6 The company could similarly fund its
7 compensation of employees via funds generated from
8 its operating activities. But that wouldn't make
9 those funds common stock.

13:56:03 10 Q. Okay. When you say that you don't
11 disagree with the similarities, what do you mean?

12 A. They are similar inasmuch as you can
13 fund operations or firms can fund operations via
14 many means and these are two such means. Two of
13:56:27 15 many such means.

16 Q. How -- under GAAP, how do employees
17 record compensation in stock?

18 A. How do employees record it?

19 Q. Yes.

13:57:01 20 A. They don't.

21 Q. They don't? So how --

22 A. They pay taxes on it, but...

23 Q. Okay. So an employee who receives stock
24 as compensation --

13:57:13 25 A. I presume they put it in a note on their

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

13:57:16 1 desk somewhere.

2 Q. I'm sorry, I -- I just want to ask my
3 question so that it's clear --

4 A. Okay. Thank you.

13:57:21 5 Q. -- for the record. And I apologize if I
6 cut you off, but...

7 How does a -- an employee who receives
8 stock from -- for compensation account for that
9 stock that it receives?

13:57:47 10 A. Depending on the form of that stock,
11 they would record that as income on their annual
12 income tax, personal annual income tax return.

13 Q. Okay.

14 A. Or they would not record it at all if
13:58:04 15 the company has already paid the tax on the stock.

16 Q. Is compensation in stock to an employee
17 considered wages?

18 A. No.

19 Q. Do you know how an employee who received
13:58:27 20 XRP would account -- as wage -- as wage payment
21 would account for the XRP that he or she received?

22 MS. JONES: Objection to
23 form.

24 A. No.

13:58:41 25 Q. Why don't you know how to account for

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

13:58:43 1 XRP received as wages --

2 A. I'm not a tax accountant.

3 MS. JONES: Objection to
4 form.

13:58:49 5 THE WITNESS: I'm sorry.

6 Q. Does GAAP not cover how to account for
7 payments to employees in compensation and digital
8 assets?

9 A. Could you re --

13:59:06 10 MS. JONES: Object to form.

11 A. Could you restate that question without
12 the double negative, please?

13 Q. Sure.

14 Does GAAP account for payment to
13:59:14 15 employees in digital assets?

16 MS. JONES: Same objection.

17 A. Can that -- I -- I don't understand the
18 question.

19 Q. Is there any guidance from GAAP as to
13:59:31 20 how to account for receipt of digital assets as
21 compensation?

22 A. So far as I'm aware, GAAP doesn't tell
23 me as an individual, Peter Easton, who may be paid
24 in the form of compensation some way how to
13:59:53 25 account for that. GAAP doesn't apply to an

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

13:59:57 1 individual.

2 Q. Okay. Thanks for clarifying.

3 Does GAAP apply to an entity that
4 provides compensation in digital assets?

14:00:05 5 A. Yes.

6 Q. And how does an entity account for
7 payment of compensation in digital -- payment of
8 compensation in digital assets?

9 A. There's a sale of the digital asset with
14:00:19 10 the associated expense.

11 Q. Is the transaction you've just described
12 the FASB guidance for treating compensation to
13 employees in digital assets?

14 MS. JONES: Objection to
14:00:42 15 form.

16 A. It's an implication of the FASB
17 guidance, yes.

18 Q. What do you mean by "implication of the
19 FASB guidance"?

14:00:54 20 A. As I believe I've described many times,
21 the guidance tells me the characteristics of
22 various assets that are used in various ways. And
23 that FASB guidance would lead me to conclude,
24 clearly, that the transaction should be treated as
14:01:13 25 a sale and the associated expense.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

14:01:18 1 Q. Do other accountants in your field agree
2 with your views on how to treat -- your -- with
3 your interpretation of how to treat compensation
4 in digital assets?

14:01:30 5 MS. JONES: Objection to
6 form.

7 A. The informed accountants would read the
8 same guidance as I do and I think they would come
9 to the same conclusion.

14:01:48 10 Q. Okay. What specific guidance are you
11 referring to?

12 A. All of the guidance we talked about this
13 morning.

14 Q. Do they speak to payment of compensation
14:01:57 15 in digital assets specifically?

16 A. No.

17 Q. Okay. So are -- are you making an
18 interpretation of the guidance regarding digital
19 assets in general?

14:02:08 20 MS. JONES: Object to form.

21 A. In light of the characteristics of the
22 transaction that is occurring and the assets that
23 are used in that transaction, yes.

24 Q. Okay. Do you know if anyone else in
14:02:30 25 your field has actually transacted for

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

14:02:36 1 compensation of employee wages in the way that you
2 described?

3 MS. JONES: Objection to the
4 form.

14:02:45 5 A. I know of no accountants that have
6 transacted in XRP.

7 Q. Do you know -- well, you...

8 Okay. Do you know if anyone in your
9 field has actually accounted for compensation of
14:03:07 10 employees in digital -- payments in digital assets
11 in the way that you described?

12 MS. JONES: Objection to
13 form.

14 A. The people in my field, which I would
14:03:16 15 describe as accounting, would follow the same
16 guidance as I followed.

17 Q. Okay.

18 A. And I don't understand how they would
19 come to any different conclusion.

14:03:26 20 Q. But do you know of anyone in particular
21 who has actually followed that type of guidance
22 with respect to the treatment of compensation of
23 -- by digital asset payment?

24 MS. JONES: Object to form.

14:03:41 25 Asked and answered.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

14:03:45 1 A. So it's -- I -- I have not spoken with
2 another accountant about the accounting for XRP.
3 This is my opinion.

4 Q. Okay. Well, I -- I was referring to
14:04:02 5 digital assets in general, not XRP specifically.

6 Is -- does your answer stand with regard
7 to just digital assets?

8 A. Yes.

9 Q. Okay. If you could please turn to
14:04:25 10 paragraph 11 of your report.

11 Can you explain what specifically in
12 Professor [REDACTED] opinion that you are
13 rebutting in this paragraph?

14 A. I'm making an observation that the
14:05:09 15 manner in which early stage companies fund their
16 operations sometimes via equity issuances is not
17 helpful because companies have to fund their
18 operations some way and this is just one form of
19 funding operations.

14:05:56 20 Q. So if you could please go to paragraph
21 12 of the report.

22 Can you explain what in Professor
23 [REDACTED] report or [REDACTED] report that
24 you're rebutting in this paragraph?

14:06:45 25 A. Yes. What I'm pointing to is the

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

14:06:54 1 incorrect conflation of the economic substance of
2 two independent transactions.

3 Q. What specific independent transactions
4 are you referring to?

14:07:21 5 A. The sale of XRP and the subsequent use
6 of the funds obtained from sale of XRP.

7 Q. Does Professor [REDACTED] provide any
8 opinion about the sale of XRP under GAAP?

9 MS. JONES: Objection to

14:07:45 10 form. Asked and answered.

11 A. Professor [REDACTED] does not mention U.S.
12 GAAP.

13 Q. Does [REDACTED] provide any opinion about
14 the sale of XRP under GAAP?

14:08:00 15 MS. JONES: Objection to
16 form. Asked and answered.

17 A. Mr. [REDACTED] says nothing about U.S. GAAP.

18 Q. Okay. And in paragraph 12 of your
19 report, what is the basis for the statement that

14:08:34 20 XRP is integral to services that Ripple provides
21 to its customers?

22 A. I'm sorry, I didn't hear that. Can you
23 point to my statement, please?

24 Q. Sure. I'm pointing you to paragraph 12.

14:09:00 25 A. Yes.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

14:09:01 1 MS. JONES: On the other
2 page.

3 Q. It starts with "Given that XRP is
4 integral to services that Ripple provides its
14:09:10 5 customers, and is used to fund operations..."

6 Did you find that?

7 A. I found the sentence, yes.

8 Q. Okay. What is the basis for your
9 statement that XRP is integral to services that
14:09:52 10 given -- that Ripple provides its customers?

11 A. Well, this means -- this means that
12 under GAAP, that the use of XRP to pay suppliers
13 should be accounted for as a sale with associated
14 expenses, yet in no way suggests that XRP is a
14:10:28 15 debt or equity security.

16 THE REPORTER: That XRP is?

17 THE WITNESS: A debt or
18 equity security.

19 Q. Does Professor [REDACTED] provide any
14:10:36 20 opinion that XRP is a debt security under GAAP?

21 MS. JONES: Objection to
22 form. Asked and answered.

23 A. Professor [REDACTED] never mentions U.S.
24 GAAP.

14:10:54 25 Q. Okay. And the same question for

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

14:10:56 1 Mr. [REDACTED]. Is there any opinion that XRP is a
2 debt or equity security under GAAP in his report?

3 MS. JONES: Same objection.

4 A. Same answer.

14:11:09 5 MS. JONES: Asked and
6 answered.

7 Q. What do you mean by the term "integral"
8 to services that Ripple provides its customers in
9 paragraph 12?

14:11:26 10 A. It's an absolutely key central part.

11 Q. Are there any facts in support of that
12 statement that you considered?

13 A. Yes.

14 MS. JONES: Objection to

14:11:40 15 form.

16 A. It is the payment mechanism.

17 Q. Where did you obtain the facts in
18 support of this statement?

19 A. I presume in the annual report.

14:11:50 20 Q. Do you recall specifically or are you
21 guessing?

22 A. I'm prepared to say I would have learned
23 that from the annual report.

24 Q. I'm sorry, can I just ask you to just
14:12:06 25 repeat your last answer? I didn't quite hear

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

14:12:09 1 that.

2 A. I'm prepared to say that I would have
3 learned that from the annual report.

4 Q. Okay. If you go to your paragraph 20.

14:13:00 5 MS. JONES: Sorry, did you
6 say 20?

7 MS. GUERRIER: Twenty.

8 Q. Just what in Professor [REDACTED] report
9 is contrary to the point that you're making in
14:13:40 10 paragraph 20 regarding the funding by Ripple and
11 Ripple sales under GAAP?

12 MS. JONES: Objection to
13 form.

14 A. I'm sorry, what?

14:14:08 15 Q. What in Professor [REDACTED] report is
16 contrary to the point that you're making in
17 paragraph 20 regarding the funding by Ripple and
18 Ripple sales under GAAP?

19 A. "The fact that Ripple funded its
14:14:23 20 operations, in part, with sales of XRP does not
21 mean XRP sales are security issuances."

22 Q. When you say "XRP sales are security
23 issuances," do you mean under GAAP?

24 A. Yes.

14:14:42 25 Q. Okay. Does Professor [REDACTED] report

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

14:14:44 1 contain any opinion regarding Ripple's sales of
2 XRP being accounted for as the issuance of a debt
3 or equity security under GAAP?

4 MS. JONES: Objection.

14:15:00 5 Counsel, you've asked that time --
6 that same question several times now.

7 MS. GUERRIER: Well, we're
8 talking about a different opinion
9 statement, so this is a separate
14:15:07 10 question.

11 BY MS. GUERRIER:

12 Q. So if you could please answer my
13 question.

14 A. Professor [REDACTED] does not mention U.S.
14:15:16 15 GAAP.

16 Q. Okay. If you could please go back to
17 the opinions that are in paragraph 3 of your
18 rebuttal.

19 A. Okay.

14:16:17 20 Q. What is the question that you're
21 answering in paragraph 3(ii) of your opinion?

22 A. "Does the fact that Ripple may have paid
23 business partners and vendors for services in XRP
24 rather than fiat currency mean that under U.S.
14:16:40 25 GAAP the economic substance of those transactions

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

14:16:42 1 were sales of equity or debt securities?"

2 Q. Is there a difference between the
3 question in 2(i) and the question in paragraph
4 2(ii)?

14:16:57 5 MS. JONES: Objection.

6 A. Would you repeat the question, please?

7 Q. Sure.

8 Is there a difference between the
9 question in paragraph 2(i) and the question in
14:17:38 10 paragraph 2(ii)?

11 A. Yes.

12 Q. What is the difference?

13 A. I would characterize 3(ii) as a summary,
14 more succinct statement, of the question in 2(ii).

14:18:02 15 Q. Okay. So what is the opinion that
16 you're providing in paragraph 2 -- 3 -- I'm sorry,
17 in paragraph 3(ii)?

18 A. "The fact that Ripple may have paid
19 business partners and vendors for services in XRP
14:18:15 20 rather than fiat currency does not mean that,
21 under U.S. GAAP, the economic substance of those
22 transactions were sales of equity or debt
23 securities."

24 Q. What in Professor [REDACTED] re -- report
14:18:28 25 are you rebutting in your re -- opinion in

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

14:18:32 1 paragraph 3(ii)?

2 MS. JONES: Objection to
3 form. Assumes facts not in evidence.

4 A. I am rebutting the characterization of
14:18:55 5 the observation that operations could be funded
6 via issuance of securities or issuance of XRP or
7 various other sources as a basis for supporting
8 the suggestion that XRP is a security.

9 Q. And do you mean XRP is a security under
14:19:26 10 GAAP in your report?

11 A. Yes.

12 Q. Okay. So does Professor [REDACTED]
13 report provide any opinion on the characterization
14 of the observation that operations could be run --
14:19:54 15 funded by issuance of securities or issuance of
16 XRP or various other sources as a basis for
17 supporting the suggestion that XRP is a security
18 under GAAP?

19 MS. JONES: Objection to
14:20:08 20 form.

21 A. He doesn't provide that opinion as
22 you've stated it.

23 Q. You also cite to Mr. [REDACTED] report in
24 your opinion in paragraph 3(ii).

14:20:36 25 What specifically in Mr. [REDACTED] report

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

14:20:39 1 are you rebutting?

2 A. In 3(ii)?

3 Q. Yes.

4 A. Say the question again, please.

14:20:53 5 Q. You also cite to Mr. [REDACTED] report in
6 your opinion in paragraph 3(ii).

7 What specifically in Mr. [REDACTED] report
8 are you rebutting?

9 A. This is a similar point that the way
14:21:39 10 that Ripple uses XRP in order to obtain funds for
11 its operations has nothing to do with whether XRP
12 are a security under U.S. GAAP.

13 Q. Does Mr. [REDACTED] provide any opinion in
14 his report regarding Ripple's use of XRP in order
14:22:17 15 to obtain funds for its operations as being a
16 security under U.S. GAAP?

17 MS. JONES: Objection to
18 form.

19 A. No.

14:22:33 20 Q. Okay. If you go to paragraph 21 of your
21 report, please.

22 Are you offering any opinion on whether
23 Ripple engaged in actions to increase the price
24 of XRP in the market?

14:23:49 25 A. No.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

14:23:50 1 Q. Okay. Can you explain what you mean
2 under GAAP that even if Ripple -- and I'm
3 paraphrasing -- engaged in actions to restrict the
4 supply of XRP and to otherwise support the market
14:24:12 5 price of XRP, that this would not result in XRP
6 being treated as transactions in equity or debt
7 securities under GAAP?

8 A. I don't know how to explain a negative.
9 Could you ask the question as a
14:24:41 10 positive?

11 Q. Sure.
12 Why don't I point you to your report.
13 If you look at paragraph 21, the third line down
14 where you start with "I discuss the reasons
14:24:51 15 why..."

16 So my question was --

17 A. I'm sorry, third line down did you say?

18 Q. Yes. In paragraph --

19 A. "To provide price support" --

14:25:02 20 Q. -- 21 at the top.

21 A. Okay. Okay.

22 Q. So if you could explain what you mean by
23 this paragraph in your report.

24 A. I -- I see no connection between
14:25:19 25 restricting the supply of a product and it being a

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

14:25:27 1 security. An oil and gas producer restricts their
2 supply of oil and gas, but that doesn't make it a
3 security.

4 Q. When you say "security," are you
14:25:39 5 referring to a security under GAAP?

6 A. Yes.

7 Q. Okay. So in the next sentence, you also
8 address -- well, you also state your disagreement
9 with Mr. [REDACTED] and Mr. [REDACTED] observations
14:26:00 10 about Ripple's efforts to provide market price
11 support for XRP?

12 A. Yes.

13 Q. Why does this not affect your opinion
14 that sales of XRP are intangible assets not
14:26:25 15 involving securities?

16 A. If it's to effect the price of an asset,
17 be it tangible or intangible, it does not suggest
18 in any way that that asset becomes a security
19 under U.S. GAAP.

14:27:05 20 Q. Okay. In paragraph 22 of your report,
21 can you describe what specifically in
22 Mr. [REDACTED] report you're rebutting?

23 A. In paragraph 22 I simply describe the
24 escrow feature which -- to which Professor [REDACTED]
14:27:42 25 refers.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

14:27:46 1 Q. Okay. Does Professor [REDACTED] provide
2 any opinion regarding the escrow feature of XRP
3 and any accounting effect under GAAP?

4 A. No, he does not.

14:28:00 5 Q. Does Mr. [REDACTED] provide any opinion
6 regarding the escrow feature of XRP and any
7 accounting effects under GAAP?

8 A. No.

9 Q. If you could please go to your paragraph
14:28:45 10 24.

11 Can you describe what in Mr. [REDACTED]
12 report you're rebutting in this paragraph?

13 MS. JONES: Objection to
14 form. Assumes facts not in evidence.

14:29:21 15 A. I'm, again, rebutting the conflation of
16 two transactions into one.

17 Q. In paragraph 25 of your report, can you
18 please describe what you're rebutting?

19 A. Paragraph 25 is a statement of what
14:30:08 20 Professor [REDACTED] says. The rebuttal is in
21 paragraph 26.

22 Q. Okay. So what exactly are you rebutting
23 in paragraph 26?

24 A. Again, it's the conflation. The use of
14:30:26 25 a feature that is described under the same term as

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

14:30:32 1 features are sometimes described in the issue of
2 securities conflates the economic substance as a
3 source of the funds and the use of the funds in
4 operations. It does not imply that the sale of
14:30:51 5 XRP and the support of the price of XRP suggests
6 in any way that XRP is a security that should
7 be -- that should be accounted for as a security
8 under GAAP.

9 Q. What specific feature are you referring
14:31:08 10 to?

11 MS. JONES: Objection to
12 form.

13 A. I don't understand the question. You
14 mean the escrow feature?

14:31:17 15 Q. I'm asking you to please describe the
16 feature that you're referring to in your response.

17 A. The escrow feature.

18 Q. The escrow feature.

19 In paragraph 25 you refer to use of
14:31:44 20 lock-up provisions.

21 Does Professor [REDACTED] provide any
22 opinion about the use of lock-up provisions and
23 accounting effect under GAAP in his report?

24 A. Professor [REDACTED] never mentions U.S.
14:32:01 25 GAAP.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

14:32:06 1 MS. JONES: Again, we've --
2 we've been going another hour, if
3 there's a good stopping point for
4 you.

14:32:12 5 MS. GUERRIER: Let me finish
6 with this, please.

7 BY MS. GUERRIER:

8 Q. If you could please go to paragraph 27
9 of your report.

14:32:21 10 Could you please tell me what you're
11 rebutting in paragraph 27 of your report?

12 A. I'm making the observation that contrary
13 to Professor [REDACTED] suggestion that XRP should
14 be treated as a security, the way XRP is treated
14:33:00 15 in Ripple's financial statements, which is not a
16 security, is entirely correct under U.S. GAAP.

17 Q. So in paragraph 27 of your report, when
18 you say that you're making an observation about
19 Professor [REDACTED] suggestion that XRP should be
14:33:35 20 treated as a security, does Professor [REDACTED] make
21 any observations about how XRP should be treated
22 as a security under GAAP?

23 A. No.

24 MS. JONES: Objection to
14:33:49 25 form. Asked and answered.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

14:33:50 1 Q. So what do you mean when you say that
2 you're making an observation that contrary to
3 Professor [REDACTED] suggestion that XRP should be
4 treated as a security..."?

14:34:04 5 MS. JONES: Objection to
6 form.

7 Q. What do you mean by "security" in that
8 sentence?

9 A. Security as defined under U.S. GAAP.

14:34:10 10 Q. Okay.

11 MS. GUERRIER: All right. I
12 think we can take a break now.

13 THE VIDEOGRAPHER: Okay.

14 Going off the record at 2:34.

14:34:31 15 (Whereupon, a recess is taken.)

16 THE VIDEOGRAPHER: Okay.

17 Back on the record, 2:49.

18 BY MS. GUERRIER:

19 Q. Professor Easton, if we can please go
14:49:28 20 back to your opinion in paragraph 3?

21 A. Three?

22 Q. Yes, please.

23 A. The rebuttal opinion?

24 Q. Yes, so the rebuttal report.

14:49:47 25 Can you describe the question that

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

14:49:48 1 you're answering in paragraph 3(ii) of your
2 opinion?

3 A. "Does the fact that Ripple may have paid
4 business partners and vendors for services in XRP
14:49:59 5 rather than fiat currency mean that, under U.S.
6 GAAP, the economic substance of those transactions
7 were sales of equity or debt securities?"

8 Q. And what is the opinion that you
9 formulated in response to that question?

14:50:19 10 A. "The fact that Ripple may have paid
11 business partners and vendors for services in XRP
12 rather than fiat currency does not mean that under
13 U.S. GAAP the economic substance of those
14 transactions were sales of equity or debt
14:50:32 15 securities."

16 Q. Okay. Could you please describe what
17 specifically in the [REDACTED] report that you're
18 rebutting in your opinion in paragraph 3(iii)?

19 A. Yes. The conflation of the payment and
14:50:56 20 the -- no. That's -- it's that there's a
21 characteristic of XRP that makes it look like a
22 security because they paid business partners and
23 vendors for services.

24 Q. Are you rebutting any opinion in
14:51:27 25 Mr. [REDACTED] report in your Opinion 3(iii)?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

14:51:42 1 A. Not specifically. I don't think so.

2 Q. Okay. When you refer to "security" in
3 your -- in the answer that you just stated
4 regarding the conflation of the payments and the
14:52:01 5 charac -- characteristics of XRP, do you mean
6 security under GAAP?

7 A. Yes.

8 Q. Okay. Does Professor [REDACTED] provide
9 any opinion that there's a characteristic of the
14:52:19 10 XRP that makes it look like a security under GAAP
11 because they paid business partners and vendors
12 for services?

13 A. You have repeatedly asked this question
14 under GAAP. The fact of the matter is GAAP is the
14:52:41 15 language of finance. So to the extent the
16 professor gives an opinion, the consistency with
17 the language of GAAP must be considered.

18 Q. Does Professor [REDACTED] use the term
19 "GAAP" in -- in the context of the conflation of
14:53:07 20 payment and the characteristics of XRP that makes
21 it look like a security because they paid business
22 partners and vendors for services?

23 MS. JONES: Objection to
24 form.

14:53:26 25 A. I don't recall Professor [REDACTED] ever

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

14:53:27 1 using the term "U.S. GAAP."

2 Q. Does Professor [REDACTED] provide any
3 opinion regarding the accounting treatment of XRP
4 in the context of payments to business partners
14:53:45 5 and vendors for services under GAAP?

6 A. No, but the accounting treatment
7 matters.

8 Q. Okay. Is your answer, no, he does not
9 provide such an opinion?

14:54:00 10 A. No, he does not --

11 MS. JONES: Objection to
12 form. Asked and answered.

13 A. He does not provide such an opinion, but
14 the accounting treatment matters.

14:54:07 15 Q. Okay. What's the basis for your opinion
16 that -- in support -- that supports your opinion
17 in paragraph 3(iii)?

18 MS. JONES: Objection to
19 form.

14:54:40 20 MS. GUERRIER: Let me ask
21 that again.

22 Q. What is the basis for your -- the
23 opinion you formulated in paragraph 3(iii)?

24 A. The payment to business partners and
14:54:55 25 vendors, the form of that payment does not affect

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

14:55:02 1 the conclusion as to whether XRP is a security
2 under U.S. GAAP.

3 Q. Is that the basis for the opinion?

4 A. There is no connection between the two,
14:55:20 5 yes.

6 Q. Okay. So what are you relying on to
7 support that statement that there is no connection
8 between the two?

9 A. A deep understanding of U.S. GAAP.

14:55:36 10 Q. Anything else?

11 A. That's a lot.

12 Q. Did you conduct any analysis in support
13 of your opinion in 3(iii)?

14 A. Yes.

14:55:46 15 MS. JONES: Objection to
16 form.

17 Q. What is the analysis that you conducted?

18 A. I considered the definitions and
19 descriptions of assets provided by the Financial
14:56:04 20 Accounting Standards Board and listed on page 7 of
21 my original report. After careful consideration
22 of every one of those asset types and the use of
23 every one of those asset types, I concluded that
24 sales of XRP are not sales of equity or debt
14:56:25 25 securities.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

14:56:28 1 Q. And when you say "sales of XRP are not
2 sales of equity or debt securities," you mean
3 under GAAP?

4 A. I did the analysis under U.S. GAAP.

14:56:38 5 Q. Okay. Did you make any assumption in
6 support of your opinion in paragraph 3(iii)?

7 MS. JONES: Objection to
8 form.

9 A. No.

14:56:57 10 Q. Okay. Are there any documents that you
11 considered in support of your opinion in 3(iii)?

12 A. The documents referred to in this
13 rebuttal report and in the original Easton report.

14 Q. Okay.

14:57:15 15 THE REPORTER: In the original
16 what report?

17 THE WITNESS: Easton report.

18 Q. Do you have an idea of what specific
19 documents that you're referring to?

14:57:22 20 A. In particular, the annual reports of
21 Ripple.

22 Q. Could you please turn to paragraph 30 of
23 your report?

24 Can you describe what specifically in
14:58:04 25 Mr. [REDACTED] report that you're rebutting in this

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

14:58:07 1 paragraph?

2 A. No.

3 Q. Why not?

4 A. There's no rebuttal in this paragraph.

14:58:23 5 This is a statement of what the [REDACTED] report
6 opinion is.

7 Q. Okay. So are you rebutting anything
8 from Mr. [REDACTED] report in paragraph 31 of your
9 report?

14:59:06 10 A. Yes.

11 Q. What specifically are you rebutting from
12 Mr. [REDACTED] report in paragraph 31 of your report?

13 A. Mr. [REDACTED] opinion is that "Ripple's
14 distributions of XRP to business partners were
15 another mechanism by which Ripple effectively sold
16 XRP into the broader XRP ecosystem."

17 Q. And what -- what is your rebuttal of
18 Mr. [REDACTED] opinion?

19 A. Paragraph 31.

15:00:19 20 Q. What specifically is the rebuttal with
21 respect to the point that you described from
22 Mr. [REDACTED] report?

23 A. The accounting by MoneyGram for this
24 transaction accounts for the transaction as a
15:00:40 25 payment in XRP for services rendered by MoneyGram.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

15:00:56 1 Q. Does Mr. [REDACTED] provide any opinion
2 regarding the accounting by MoneyGram for the
3 transaction accounts that you've described?

4 A. No, but that does not mean that the
15:01:08 5 accounting is not relevant.

6 Q. Does Mr. [REDACTED] provide any opinion about
7 the accounting for MoneyGram in his report under
8 GAAP?

9 A. No, but that does not mean that the
15:01:19 10 accounting is not relevant.

11 Q. What is the accounting relevant to?

12 A. Reporting the financial transaction, the
13 finance of the transaction.

14 Q. Does Mr. [REDACTED] provide any opinion about
15:01:38 15 the finance of the MoneyGram transaction under
16 GAAP in his report?

17 A. No.

18 Q. If you could please turn to page 15 and
19 Section A.

15:02:34 20 Can you please describe what you're
21 rebutting in this section of your report?

22 A. The suggestion that payments to service
23 providers in -- using XRP are not sales of a
24 security under U.S. GAAP.

15:03:04 25 THE REPORTER: Are not what

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

15:03:05 1 of a security?

2 THE WITNESS: I'm sorry.

3 Sales of a security under U.S. GAAP.

4 Q. So does Mr. [REDACTED] provide any opinion
15:03:27 5 regarding whether payments to service providers
6 using XRP are not sales of a security under U.S.
7 GAAP?

8 MS. JONES: Objection to
9 form. Asked and answered now several
15:03:35 10 times.

11 A. Could you repeat? Professor [REDACTED]
12 opinion with respect to what?

13 Q. Yes. I'll repeat the question.

14 Does Professor [REDACTED] provide any
15:03:47 15 opinion regarding the suggestion that payments to
16 service providers using XRP are not sales of a
17 security under U.S. GAAP?

18 MS. JONES: Objection to
19 form.

15:04:03 20 A. Professor [REDACTED] never mentions U.S.
21 GAAP.

22 Q. Does Mr. [REDACTED] provide any opinion
23 regarding whether payments to service providers
24 using XRP are not sales of a security under U.S.
15:04:17 25 GAAP?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

15:04:17 1 MS. JONES: Objection to
2 form. Asked and answered.
3 A. Mr. [REDACTED] never considers U.S. GAAP.
4 Q. If you could please turn to paragraph 34
15:04:50 5 of your rebuttal.
6 Could you please describe what you're
7 rebutting in paragraph 34?
8 A. Yes. The conflation of the cash from
9 the sales and the use of that cash from the sales.
15:05:22 10 Q. Okay. And what specifically in
11 Mr. [REDACTED] report are you rebutting in regards
12 to paragraph 34?
13 A. The -- the observation by Professor
14 [REDACTED] that -- the observation that sales of XRP
15:05:58 15 were used to generate cash which is subsequently
16 used to pay business partners and services
17 rendered and the notion that sales of securities
18 by other firms are used for similar purposes in no
19 way suggests that XRP should be considered a
15:06:36 20 security.
21 Q. Do you mean a security under GAAP?
22 A. And a security under GAAP is -- that's
23 the way security sales are recorded in the United
24 States. So it's more than just an irrelevant
15:06:54 25 aside.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

15:06:54 1 Q. Okay. Are you just -- your -- is your
2 opinion confined to securities under GAAP?

3 MS. JONES: Objection.

4 Asked and answered.

15:07:11 5 A. Yes, but that's a very broad opinion
6 because GAAP is the mechanism by which security
7 sales are recorded in the United States.

8 Q. In paragraph 34, are you providing any
9 opinion regarding securities under federal
15:07:27 10 securities laws?

11 A. No.

12 Q. Is there any subject matter in
13 Mr. [REDACTED] report that you're rebutting in
14 paragraph 34?

15:07:57 15 MS. JONES: Objection to
16 form.

17 A. Yes.

18 Q. What specifically from Mr. [REDACTED]
19 report are you rebutting?

15:08:10 20 A. The conflation --

21 MS. JONES: Sorry.

22 Mr. [REDACTED] or Mr. [REDACTED]? I just
23 want to --

24 MS. GUERRIER: [REDACTED].

15:08:16 25 MS. JONES: Okay.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

15:08:18 1 A. Oh. I -- I misunderstood that, too. I
2 beg your pardon.

3 No, I don't think so.

4 Q. Okay. Did Professor [REDACTED] provide any
15:08:39 5 opinion regarding, that you observed, observation
6 that sales of XRP were used to generate cash which
7 is subsequently used to pay business partners and
8 services rendered with respect to XRP's accounting
9 treatment under GAAP?

15:08:58 10 MS. JONES: Objection.

11 Asked and answered.

12 A. Professor [REDACTED] never at any time in
13 his report mentioned U.S. GAAP.

14 Q. If we could please go back to paragraph
15:09:35 15 31 of your report.

16 So in the last sentence of paragraph 31
17 regarding MoneyGram disclosures that -- could you
18 please describe the basis for your statement in
19 that sentence?

15:10:25 20 A. This is -- the sentence beginning
21 "MoneyGram made disclosures..."?

22 Q. Yes, please.

23 A. This is disclosed in MoneyGram's annual
24 report.

15:10:44 25 Q. When you use the term "security" in that

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

15:10:46 1 paragraph, are you referring to -- I'm sorry, in
2 that last sentence, what do you mean by "security"
3 in -- in the sentence?

4 A. This is an equity security. That was
15:11:04 5 the securities purchase agreement.

6 Q. Okay. Do you mean an equity security
7 under GAAP?

8 A. I mean, it's a listed security, yes,
9 under GAAP.

15:12:27 10 Q. Okay. So going to page 16 of your
11 report -- actually, let's strike that.

12 Why don't we go back to your opinion in
13 paragraph 3.

14 A. I'm sorry, I didn't get that.

15:12:59 15 Q. We're going back to your opinions in
16 paragraph 3.

17 A. The original opinion?

18 Q. Yes, the rebuttal. Page 2.

19 A. Okay.

15:13:08 20 Q. Actually, page 2 and 3.

21 Can you please describe what question
22 you're answering in paragraph 3(iv), or 4, Roman
23 numeral iv, of your opinion?

24 A. Yes. "Do MoneyGram's disclosures in its
15:13:51 25 SEC filings, with respect to the XRP it received

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

15:13:54 1 from Ripple for facilitating international foreign
2 exchange transactions on Ripple's ODL platform,
3 reflect a determination that, under U.S. GAAP,
4 Ripple's transfers and sales of XRP to MoneyGram
15:14:07 5 constituted sales of equity or debt securities?"

6 Q. And what opinion did you formulate in
7 response to the question in paragraph 3(iv), Roman
8 numeral IV?

9 A. MoneyGram's disclosures in its SEC
15:14:26 10 filings with respect to the XRP it received from
11 Ripple for facilitating international foreign
12 exchange transactions on Ripple's ODL platform do
13 not reflect a determination that, under U.S. GAAP,
14 Ripple's transfer and sales of XRP to MoneyGram
15:14:41 15 constituted sales of equity or debt securities.

16 Q. Could you explain what specifically
17 you're rebutting and your opinion in Roman numeral
18 iv?

19 A. I'm rebutting the suggestions in the
15:15:25 20 [REDACTED] report, and apparently it's on pages 38 to
21 40, that these activities between Ripple and
22 MoneyGram may suggest that XRP are a security.

23 Q. Do you mean a security under U.S. GAAP?

24 A. Yes.

15:16:08 25 Q. Does the [REDACTED] report provide any

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

15:16:10 1 opinion that the activities that you described in
2 your opinion in Roman numeral iv between Ripple
3 and MoneyGram suggest that XRP is a security under
4 U.S. GAAP?

15:16:24 5 MS. JONES: Objection to
6 form.

7 A. Mr. [REDACTED] does not mention U.S. GAAP.

8 Q. What is the basis for your opinion in
9 Roman numeral iv?

15:16:47 10 A. I looked at the nature of the
11 transactions between Ripple and MoneyGram and
12 MoneyGram and Ripple and examined the
13 characteristics of these transactions, considering
14 the ways that transactions can be categorized
15:17:09 15 under U.S. GAAP, and came to the conclusion that
16 these transactions cannot be -- that is, the sales
17 of XRP cannot be construed as constituting sales
18 of equity or debt securities.

19 Q. Did you consider any facts in support of
15:17:37 20 this opinion in Roman numeral iv?

21 A. Only those --

22 MS. JONES: Objection to
23 form.

24 A. -- that I just mentioned.

15:17:43 25 Q. Okay. Were there any documents that you

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

15:17:46 1 considered in support of your opinion in Roman
2 numeral iv?

3 A. Yes.

4 Q. What documents did you consider in
15:17:53 5 support of your opinion?

6 A. Mostly the annual reports, particularly
7 those of MoneyGram.

8 Q. Is there anything specifically from the
9 annual reports that you considered in support of
15:18:14 10 the opinion in Roman numeral iv?

11 A. There's a description of a material
12 commercial transaction and a securities purchase
13 agreement.

14 Q. And how do these documents support your
15:18:33 15 opinion in Roman numeral iv?

16 A. Well, they lead -- lead to the
17 conclusion that, first of all, XRP was used as a
18 payment mechanism; second, the transfer of an XRP
19 did not lead to a claim on Ripple.

15:19:12 20 Q. What specifically did you consider that
21 led you to the conclusion that XRP was used as a
22 payment mechanism?

23 A. I suspect those words were pretty much
24 as used in the 10-K.

15:19:28 25 Q. Okay.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

15:19:29 1 A. MoneyGram's 10-K.

2 Q. Excuse me.

3 And what specifically did you consider
4 that led to the conclusion that the transfer of an
15:19:40 5 XRP did not lead to a claim on Ripple?

6 MS. JONES: Objection to
7 form.

8 A. Just no evidence. Nothing about the
9 payment in an XRP that leads to a claim against
15:19:58 10 Ripple. The payment's already been made.

11 Q. Did you make any assumption in support
12 of your opinion in Roman numeral iv?

13 MS. JONES: Objection to
14 form.

15:20:14 15 A. No.

16 Q. Did you conduct any analysis in support
17 of your opinion in Roman numeral iv?

18 MS. JONES: Objection to
19 form.

15:20:28 20 A. Yes. I carefully analyzed the
21 definitions and descriptions of assets of various
22 types, including equity and debt securities, and
23 came to the conclusion that XRP -- sales of XRP
24 cannot be constituted as sales of equity or debt
15:21:01 25 securities given the definitions of sales of

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

15:21:05 1 equity and debt securities.

2 Q. And is your opinion based under GAAP
3 principles?

4 A. I'm sorry?

15:21:18 5 Q. Is your opinion based -- that you just
6 described based upon GAAP principles?

7 A. I examined the GAAP documents and came
8 to the conclusion.

9 Q. If you could please turn to paragraph 36
15:22:21 10 of your report.

11 Are you rebutting any opinion from
12 Mr. [REDACTED] report in paragraph 36 of your
13 report?

14 A. Yes. The implicit suggestion that the
15:22:58 15 payment to MoneyGram in the form of XRP is an
16 investment in debt or equity securities.

17 Q. When you say is an investment in debt
18 and equity securities, do you mean under GAAP?

19 A. Yes.

15:23:27 20 Q. So does Professor [REDACTED] provide any
21 opinion that payments to MoneyGram in the claimed
22 form of XRP is an investment in debt or equity
23 securities under GAAP in his report?

24 A. Professor [REDACTED] does not mention GAAP.
15:23:57 25 His opinion would be much more informed if he did.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

15:24:05 1 Q. Okay. So if we go to paragraph 37 of
2 your report, is there anything that you're
3 rebutting in paragraph 37 in your report?

4 A. I'm saying what MoneyGram actually did
15:24:27 5 in its accounting. I'm pointing out, contrary to
6 the suggestion by Mr. [REDACTED], the accounting
7 clearly indicates that the accounting for the XRP
8 transaction is not accounting for a securities
9 transaction, nor should it be.

15:24:53 10 Q. And when you say that the accounting
11 indicates that the accounting for the XRP
12 transaction is not an accounting for a securities
13 transaction, are you referring to an accounting
14 for securities transaction under GAAP?

15:25:17 15 A. Please answer the -- ask the question
16 again.

17 Q. Sure.

18 When you state that the accounting
19 indicates that the accounting for the XRP
15:25:28 20 transaction is not an accounting for a securities
21 transaction, are you referring to an accounting
22 for a securities transaction under GAAP?

23 A. Yes.

24 Q. Did Professor -- I'm sorry.

15:25:50 25 Did Mr. [REDACTED] provide any opinion

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

15:25:55 1 regarding MoneyGram's accounting under GAAP?

2 A. No.

3 Q. Did Mr. [REDACTED] provide any opinion
4 regarding MoneyGram's accounting for its XRP?

15:26:07 5 MS. JONES: Object to form.

6 A. No.

7 Q. Okay. How did MoneyGram account for
8 XRP?

9 A. As a contra expense.

15:26:50 10 Q. Does MoneyGram's accounting for XRP have
11 any bearing on whether or not XRP is a security
12 for federal -- under federal securities laws?

13 MS. JONES: Objection.

14 Calls for a legal conclusion.

15:27:03 15 A. I don't know the answer to that
16 question.

17 Q. Does MoneyGram's accounting for XRP have
18 any bearing on whether or not XRP is a security
19 under GAAP?

15:27:19 20 MS. JONES: Objection to
21 form.

22 A. The accounting reflects the nature of
23 the transaction and the transaction itself was not
24 a sale of a security under GAAP.

15:28:01 25 Q. If you could please go to paragraph 38

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

15:28:03 1 of your report.

2 A. Thirty-eight?

3 Q. Yes, please.

4 A. Okay.

15:28:13 5 Q. Do you know what the securities purchase
6 agreements are that you're referring to in this
7 paragraph?

8 MS. JONES: Objection to
9 form.

15:28:24 10 A. Yes.

11 Q. What are they?

12 A. There's an agreement for Ripple to
13 purchase securities in MoneyGram.

14 Q. What type of securities does this refer
15 to?

15:28:35 15 A. Equity.

16 Q. And how are securities purchase
17 agreements accounted for under GAAP?

18 MS. JONES: Objection to
19 form.

15:28:45 20 A. Additional paid-in capital.

21 Q. What is additional paid-in capital under
22 GAAP?

23 THE REPORTER: I'm sorry?

15:28:56 24 Q. What is additional paid-in capital under

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

15:28:58 1 GAAP?

2 A. It's the capital that's paid in as a
3 contribution to the firm in return for equity
4 ownership.

15:29:19 5 Q. Is there anything in Mr. [REDACTED]
6 report that you are rebutting in paragraph 38 of
7 your report?

8 A. What I'm doing in paragraph 38 is
9 clarifying the nature of the transaction, the two
15:29:37 10 transactions, between XRP and MoneyGram.

11 Q. Did you actually analyze the
12 transactions between MoneyGram and XRP?

13 MS. JONES: Objection to
14 form.

15:30:09 15 A. Yes.

16 Q. How did you conduct your analysis of the
17 transactions between MoneyGram and XRP?

18 A. I looked at the accounting guidance,
19 particularly the FASB, with respect to accounting
15:30:28 20 for assets in general, and concluded that there
21 were two forms of transactions: One was the sale
22 of an asset, XRP, in return for services; the
23 other was the purchase of common stock.

24 Q. Are you providing any opinion on whether
15:31:06 25 the transactions that you just described are

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

15:31:12 1 securities under GAAP?

2 A. Absolutely.

3 Q. What is your opinion?

4 A. The securities purchase agreement
15:31:23 5 absolutely considered the purchase of an equity
6 security under GAAP.

7 Q. Are you providing any opinion that the
8 transactions that you described in paragraph 38
9 constitute security transactions under the federal
15:31:48 10 securities laws?

11 MS. JONES: Objection to
12 form.

13 A. No, but I'd be shocked if they didn't.

14 Q. Okay. What's the basis for your
15:31:59 15 statement that you'd be shocked if they -- that
16 these transactions that you described in paragraph
17 38 constitute --

18 A. Well, that they --

19 Q. -- securities under federal securities
15:32:10 20 laws?

21 A. It would be just like Ripple purchasing
22 an IBM stock and that would be covered by federal
23 securities laws --

24 Q. Okay. So are you saying that --

15:32:20 25 A. -- as a security.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

15:32:21 1 Q. Okay. So are you saying these
2 transactions would be securities under federal
3 securities laws?

4 A. I believe so, yes.

15:32:27 5 Q. Okay. If you could please turn to
6 paragraph 40 of your report.

7 What types of disclosures are you
8 referring to in paragraph 40 of your report?

9 MS. JONES: And just to
15:33:43 10 clarify, do you mean in the sentence
11 "To the extent that Mr. [REDACTED]
12 intended to infer as much,
13 MoneyGram's disclosures..."

14 MS. GUERRIER: I'm just
15:33:55 15 asking in general what he's --

16 A. So --

17 Q. So if I can repeat my question. It was
18 what types of disclosures are you referring to in
19 paragraph 40 of your report?

15:34:08 20 A. Disclosures regarding the compensation
21 received from Ripple, the nature of the commercial
22 agreements, discussion of the company's operating
23 results and significant accounting policies,
24 likely due to the materiality of the commercial
15:34:30 25 agreement, discussion of market -- market

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

15:34:35 1 development fees, for example.

2 Q. What are you rebutting from Mr. [REDACTED]
3 report with regards to the disclosures that you've
4 described in paragraph 40?

15:35:01 5 A. Mr. [REDACTED] noted that MoneyGram regularly
6 updated its investment in public filings to the
7 U.S. Securities and Exchange Commission about
8 compensation it received from Ripple. I'm not
9 sure what Mr. [REDACTED] meant by that. But to the

15:35:18 10 extent that he intended to infer as much,
11 MoneyGram's disclosures of its commercial
12 agreement with Ripple in its SEC filings do not
13 mean the receipt of XRP represent the receipt of a
14 security and subsequent sale of the security to
15:35:35 15 the market.

16 Q. Okay. And you're referring to security
17 under GAAP in your paragraph 40?

18 A. Yes, although here I'm not readily sure
19 that this distinction bears a relevant
15:36:02 20 distinction. I'm not sure it's relevant anyway.

21 Q. Can you explain what you mean by the
22 distinction not being relevant?

23 A. Because the discussion is about public
24 filings with the U.S. Securities and Exchange
15:36:18 25 Commission, suggesting -- suggesting, therefore,

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

15:36:25 1 that it is a security.

2 Q. So do you take issue with any opinion in
3 Mr. [REDACTED] report regarding the characteristics
4 of XRP as a security in relation to the MoneyGram
15:36:51 5 disclosures?

6 MS. JONES: Objection to
7 form.

8 A. Yes, to the extent that Mr. [REDACTED]
9 intended to infer that the disclosures of this
15:37:08 10 commercial agreement suggested that XRP was a
11 security.

12 Q. So -- and when you say "XRP was a
13 security," do you mean a security under GAAP or
14 under federal securities law?

15:37:21 15 A. This is where I feel that this
16 distinction that you repeatedly make is not at all
17 clear to me. A security under GAAP really just
18 means to me is the way that the security is
19 reported in the United States.

15:37:35 20 Q. Well, are you an expert on securities
21 under federal securities laws?

22 A. No.

23 MS. JONES: Objection to
24 form.

15:37:41 25 Q. So are you -- is your opinion based on

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

15:37:44 1 GAAP?

2 A. My opinion is based on an understanding
3 of U.S. GAAP and the law of U.S. GAAP.

4 Q. Okay.

15:38:04 5 MS. GUERRIER: Okay. I'm
6 going to take a 10-minute break.

7 THE VIDEOGRAPHER: Going off
8 the record at 3:38.

9 (Whereupon, a recess is taken.)

15:50:15 10 THE VIDEOGRAPHER: Okay.

11 Back on the record, 3:55.

12 BY MS. GUERRIER:

13 Q. Okay. Professor, assume that there's a
14 legal ruling in this case that Ripple's sales
15:55:35 15 of XRP are sales of investment contract.

16 Would Ripple have to make any changes
17 or -- as to how it accounts for its sales of XRP?

18 MS. JONES: Objection to
19 form.

15:55:48 20 A. And what is the ruling? I'm sorry, I
21 don't think I caught that.

22 Q. Assume that the Court rules that XRP
23 sales are securities, sales of securities under
24 federal securities laws. Would Ripple have to
15:56:02 25 make any changes to how it accounts for XRP?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

15:56:06 1 MS. JONES: Objection to
2 form.

3 A. My understanding of the accounting
4 guidance as the accountant understands is that the
15:56:17 5 only difference it would make is that we would
6 have a label on the intangible asset XRP. It
7 would be called investment contract. But it would
8 still not have the characteristics of a security
9 under GAAP.

15:56:35 10 Q. Okay. So if there is a ruling that
11 Ripple's sales of XRP are sales of investment
12 contracts under federal securities laws, is it
13 possible that there would be a different
14 interpretation of those sales under GAAP?

15:56:59 15 MS. JONES: Objection to
16 form.

17 A. I really don't know how to answer the
18 question because anything's possible. I can
19 answer the question under the current accounting
15:57:12 20 guidelines --

21 Q. Okay.

22 A. -- which I've done.

23 Q. So would Ripple look to -- I'm sorry,
24 what specific accounting guidance would Ripple
15:57:19 25 look to if the Court were to determine that sales

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

15:57:24 1 of XRP are sales of securities under federal
2 securities laws?

3 MS. JONES: Objection to
4 form.

15:57:32 5 A. The guidance would be the guidance which
6 I have referenced throughout the entire
7 deposition.

8 Q. So since there's no FASB guidance for
9 the treatment of digital assets under GAAP, what
15:57:51 10 specifically would Ripple have to look to to
11 determine how to account for sales of XRP if those
12 sales are considered securities under federal
13 securities law?

14 MS. JONES: Objection to
15:58:05 15 form. Asked and answered.

16 A. I believe I did just answer that
17 question but I'll give more detail. The AICPA
18 guidance. The opinions and guidance provided by
19 the Big 4. That's the guidance we currently have.
15:58:27 20 Unless the guidance -- there's some new
21 promulgation, we would stick with that.

22 Q. Did you state that Ripple would account
23 for its sales of XRP as investment contract if the
24 Court were to determine that those sales are
15:58:47 25 investment contracts under federal securities law?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

15:58:49 1 MS. JONES: Objection to
2 form.

3 A. If the Court decided that they were
4 investment contracts, then the accountant would
15:58:59 5 call them an investment contract.

6 Q. Okay.

7 A. But they would account them -- not
8 account for them as investment contracts under
9 current guidance. An investment contract under
15:59:10 10 current accounting guidance is a contract
11 associated with an insurance policy.

12 Q. Okay. Does the AICPA guidance direct
13 that an investment company should determine
14 whether its holdings of digital assets represents
15:59:45 15 a debt security, equity security, or other
16 investment, and apply the relevant FASB guidance
17 for those instruments?

18 MS. JONES: Objection to
19 form.

15:59:58 20 A. It does for an investment company, yes.

21 Q. If an investment company determines that
22 its holdings of digital assets represent a debt
23 security, should the investment company apply the
24 guidance -- the FASB guidance for debt security
16:00:20 25 when determining how to account for transactions

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

16:00:23 1 in those digital assets?

2 MS. JONES: Objection to
3 form.

4 A. There was a lot in that question.

16:00:27 5 Would you repeat it --

6 Q. Sure.

7 A. -- so I make sure I get it all?

8 Q. So if an investment company determines
9 that its holding of digital assets represent a

16:00:37 10 debt security, should the investment company apply
11 the guidance -- I'm sorry, the FASB guidance for
12 debt securities when determining how to account
13 for transactions in those digital assets?

14 A. They should follow AIC 946.

16:00:57 15 Q. What is AIC 946?

16 A. It's the accounting for equity and debt
17 securities for an investment company.

18 Q. If an investment company determines that
19 its holdings of digital assets represent an other

16:01:20 20 investment, what FASB guidance should apply when
21 determining how to account for transactions in
22 those digital assets?

23 MS. JONES: Object to form.

24 Q. Did you want me to repeat that?

16:01:33 25 A. Yes, please.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

16:01:37 1 Q. If an investment company determines that
2 its holdings of digital assets represent an other
3 investment, what FASB guidance should apply when
4 determining how to account for transactions in
16:01:50 5 those digital assets?

6 A. It --

7 MS. JONES: Same objection.

8 A. It would be the same reference to AIC,
9 same as AIC, but it would depend upon the form of
16:02:04 10 the other investment.

11 Q. Can you elaborate what you mean by "it
12 would depend on the form of the other investment"?

13 A. Yes. If it's not a debt or equity
14 security, then this means that there is no claim
16:02:26 15 on the underlying company against which that debt
16 or equity security is issued. Another investment,
17 other investments, or anything else. Could be
18 gold, for example.

19 Q. Okay. Going back to your original
16:02:57 20 report --

21 A. Okay.

22 Q. -- in paragraph 82, you state that
23 "Ripple generates revenue from the sales of XRP to
24 customers to facilitate cross-border payments."

16:03:37 25 What is the basis for this statement?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

16:03:38 1 A. Ripple's 2020 --

2 THE REPORTER: Ripple's?

3 A. Ripple's 2020 annual financial
4 statement.

16:03:54 5 Q. So do the 2020 annual financial
6 statements specifically state that Ripple
7 generates revenues from sales of XRP to facilitate
8 cross-border payments?

9 MS. JONES: Objection to
16:04:09 10 form.

11 A. I can't tell you as I sit here now
12 whether this is a direct quote or not.

13 Q. Do you know whether Ripple sells XRP to
14 customers who use the XRP for purposes other than
16:04:25 15 to facilitate cross-border payments?

16 MS. JONES: Object to form.

17 A. I believe so, but I can't cite a
18 particular example right now.

19 Q. In your review of the records in this
16:04:44 20 case, did you analyze whether Ripple had any sales
21 of XRP for other than cross-border payments?

22 MS. JONES: Object to form.

23 A. Well, they have sales of XRP for
24 executive compensation, for example.

16:05:17 25 Q. Anything else?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

16:05:20 1 A. All of the things I've mentioned in my
2 report. I -- I could find them. Do you want me
3 to do that?

4 Q. Sure.

16:05:29 5 A. Okay. It's getting late in the day. It
6 will take me a while to find it. Bear with me
7 while I get there.

8 So in paragraph 58 and 59, I talk about
9 the sales of XRP in nonmonetary transactions,
16:06:16 10 payment of expenses, the R & D, selling,
11 marketing, general and administrative.

12 Q. Do you know how much of Ripple's
13 revenues are derived from sales of XRP for
14 cross-border payments versus sales for other
16:06:46 15 purposes --

16 MS. JONES: Object --

17 Q. -- historically?

18 MS. JONES: Object to form.

19 A. Off of the top of my head, no.

16:07:20 20 Q. Do you know whether Ripple sale -- sells
21 XRP to persons who don't use the XRP for
22 cross-border transactions?

23 MS. JONES: Objection to
24 form.

16:07:35 25 A. Yes.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

16:07:38 1 Q. Can you elaborate?

2 A. Well, there's the sales of XRP in return
3 for services provided. That's not a cross-border
4 transaction.

16:07:48 5 Q. Other than services provided, is
6 there -- is there any other type of transactions
7 that Ripple uses XRP for in its sales?

8 MS. JONES: Object to form.

9 A. R & D, general administrative.

16:08:24 10 Q. Do you know if Ripple has sold XRP to
11 purchasers who bought the XRP for investment
12 purposes?

13 MS. JONES: Object to form.

14 A. I don't know one way or the other.

16:08:43 15 Q. Did you -- did you see any transactions
16 with Ripple and XRP purchasers who bought the XRP
17 for investment purposes in your review of the
18 financial statements?

19 A. I believe --

16:08:56 20 MS. JONES: Object to form.

21 A. I believe I have.

22 THE REPORTER: I believe?

23 THE WITNESS: I -- I believe

24 I may have seen some discussion of

16:09:06 25 that, yes.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

16:09:07 1 Q. Okay. Do you recall specifically what
2 the discussions were with regard to Ripple's sales
3 for XR -- of XRP to purchasers who bought them for
4 investment purposes?

16:09:18 5 A. No.

6 Q. Assume that Ripple has sold XRP to
7 purchasers for investment purposes.

8 Would that change any of your opinions
9 in this case?

16:09:34 10 MS. JONES: Object to form.

11 A. No.

12 Q. Why not?

13 A. It's still a sale of an intangible asset
14 for whatever reason it's used.

16:10:05 15 Q. I believe you testified that you
16 reviewed the complaint in this case, is that
17 correct?

18 A. Yes, I did.

19 Q. Okay. Do you understand that the
16:10:15 20 complaint alleges that Ripple sold billions of
21 dollars' worth of XRP to purchasers who bought the
22 XRP with the expectation of profit?

23 MS. JONES: Object to form.

24 A. I -- I don't remember the specifics of
16:10:31 25 the complaint.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

16:10:32 1 Q. Is there any portion of your report,
2 your opening report, that addresses Ripple's sales
3 of XRP to purchasers who bought the XRP for
4 investment purposes?

16:10:44 5 MS. JONES: Objection to
6 form.

7 A. No, because that doesn't affect the
8 accounting.

9 Q. Are you offering any opinion that XRP
16:11:03 10 purchasers who bought XRP for investment purposes
11 also would understand that they acquired an
12 intangible asset and not an investment contract or
13 a security?

14 MS. JONES: Objection to
16:11:18 15 form.

16 A. Well, I can point to three examples in
17 my report where that's their understanding.

18 Q. I'm sorry?

19 A. I can point to three examples in my
16:11:27 20 report where that is the understanding of the
21 purchaser of the asset.

22 Q. Are you saying that's the understanding
23 of the purchaser who bought XRP for investment
24 purposes?

16:11:39 25 A. Yes.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

16:11:40 1 Q. Okay. Can you point to the three
2 examples in your report?

3 A. Yes. The three examples are in
4 paragraphs 69 through 76.

16:12:18 5 Q. So are you referring to the publicly
6 traded companies that you describe in paragraphs
7 69 through 76 in your report?

8 A. Yes.

9 Q. So other than the examples of the
16:12:48 10 publicly traded entities that purchased XRP for
11 investment purposes, why did you not address
12 Ripple's sales of XRP for investment purposes in
13 your report?

14 MS. JONES: Objection to
16:13:03 15 form.

16 A. I addressed the accounting by these
17 three highly visible holders, publicly traded
18 holders of cryptocurrency, to provide examples of
19 how large, highly visible companies that are
16:13:35 20 audited by very reputable accounting firms account
21 for cryptocurrency.

22 Q. Okay. So just to clarify, are you
23 stating that Telsa (sic) holds XRP on its balance
24 sheets?

16:13:50 25 A. I'm not saying anything about Telsa

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16:13:53 1 (sic).

2 Q. Okay. So when I asked you whether --
3 I'm sorry.

4 When you stated that you could provide
16:14:00 5 examples in paragraph 69 of -- through 76 of
6 purchasers who bought XRP for investment
7 purposes, any of the entities that are listed in
8 paragraphs 69 through 76 specifically bought XRP
9 for investment purposes?

16:14:20 10 A. No.

11 MS. JONES: Objection to
12 form.

13 THE WITNESS: I'm sorry.

14 A. No.

16:14:29 15 Q. So is your report, your opinion, limited
16 to Ripple's sales of XRP to ODL customers?

17 MS. JONES: Objection to
18 form. Mischaracterizes the
19 testimony.

16:14:42 20 A. No. This -- a large part of the first
21 document, the original report, is about accounting
22 for cryptocurrencies, of which XRP is one.

23 Q. Right.

24 But your re -- does your report
16:14:58 25 specifically address the accounting for

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

16:15:01 1 cryptocurrencies -- actually, let me rephrase
2 that.

3 Does your report specifically address
4 the accounting for XRP that is purchased for
16:15:14 5 investment purposes?

6 MS. JONES: Objection to
7 form.

8 A. I did not -- I did not analyze the
9 accounting for XRP that is purchased for
16:15:34 10 investment purposes.

11 Q. Is your report about the appropriate
12 classification of Ripple's transactions in XRP
13 under GAAP?

14 MS. JONES: Objection to
16:15:56 15 form. Asked and answered.

16 THE REPORTER: What was the
17 last part?

18 MS. JONES: Asked and
19 answered.

16:16:05 20 THE REPORTER: Thank you.

21 A. Yes.

22 Q. Are there any other bases for your
23 opinions regarding the classification of Ripple's
24 transactions and XRP under GAAP that are not
16:16:15 25 stated in this opening report that you submitted?

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

16:16:17 1 MS. JONES: Objection to
2 form.
3 A. Possibly what's in the rebuttal report.
4 Q. Okay. Just specifically with regard to
16:16:29 5 the report that's dated October 4th, 2021.
6 A. Would you repeat the question, please?
7 Q. Sure.
8 Are there any other bases for your
9 opinions regarding the classification of Ripple's
16:16:50 10 transactions and XRP under GAAP that are not
11 stated in this opening report that you submitted?
12 A. Yes.
13 MS. JONES: Same objection.
14 A. Yes.
16:17:04 15 Q. And what are these?
16 A. Represented in the rebuttal report.
17 Q. Okay. So could you please specifically
18 identify the basis that you're referring to?
19 A. It's the entire report. No, I can't.
16:17:43 20 It's the entire report.
21 Q. What do you mean, "it's the entire
22 report"?
23 A. Well, you say what is the -- would you
24 repeat the question, please?
16:17:54 25 Q. Sure.

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

16:17:57 1 Are there any other bases for your
2 opinions regarding the classification of Ripple's
3 transactions in XRP under GAAP that are not stated
4 in this opening report?

16:18:09 5 A. Oh, I -- yes.

6 Q. Okay. What are the bases that are not
7 stated in this opening report?

8 A. Those in the rebuttal report.

9 Q. And can you summarize specifically the
16:18:23 10 bases in the reportal -- rebuttal report that are
11 not stated in your opening report that concern the
12 classification of Ripple's transactions in XRP
13 under GAAP?

14 A. Yes.

16:18:48 15 Q. So would you like to summarize them,
16 please?

17 A. Sure. "Ripple's transfers and sales of
18 XRP in order to, among other things, finance
19 operations or generate funds for share repurchases
16:19:01 20 do not support the determination under U.S. GAAP
21 that the economic substance of those transactions
22 are sales of stock as Professor [REDACTED] opines.

23 "Assuming, arguendo, as set forth in the
24 SEC expert's reports, that Ripple used XRP in a
16:19:19 25 similar manner as companies use stock by, for

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

16:19:21 1 example, compensating executives with XRP and
2 engaging in actions to limit the supply or
3 otherwise support the market price of XRP (e.g.,
4 through lock-up provisions, Ripple's escrow and
16:19:35 5 limited release of not more than 1 billion XRP per
6 month, and XRPs purchases), do not require the
7 determination under U.S. GAAP that Ripple's
8 transfers and sales of XRP were sales of equity or
9 debt securities.

16:19:52 10 "The fact that Ripple paid certain
11 business partners and vendors for services in XRP
12 rather than fiat currency does not require the
13 determination under U.S. GAAP that Ripple's
14 transfers and sales of XRP were sales of equity or
16:20:07 15 debt securities.

16 "MoneyGram's disclosures in its SEC
17 filings with respect to XRP it received from
18 Ripple for facilitating international" currency
19 -- "foreign currency transactions on Ripple's ODL
16:20:25 20 platform do not reflect a determination that,
21 under U.S. GAAP, Ripple's transfers and sales of
22 XRP to MoneyGram constituted sales of equity or
23 debt securities."

24 Q. Is there any reason why you didn't
16:20:41 25 include the bases that are included in your

HIGHLY CONFIDENTIAL - SUBJECT TO PROTECTIVE ORDER

16:20:46 1 rebuttal report in your opening report?

2 MS. JONES: Objection to
3 form.

4 A. Yes.

16:20:59 5 Q. What is the reason?

6 A. I feel that Professor [REDACTED] and
7 Mr. [REDACTED] reports required a rebuttal that
8 clarified and expanded upon my original report.

9 Q. Thank you.

16:21:34 10 MS. GUERRIER: I have no
11 further questions.

12 MS. JONES: Counsel for
13 Ripple has no questions for the
14 witness. Do the individual
16:21:42 15 defendants' counsel -- no.

16 MS. GUERRIER: Thank you,
17 Professor, for your patience and your
18 time.

19 THE WITNESS: You're
16:21:47 20 welcome.

21 THE VIDEOGRAPHER: This
22 concludes the video deposition of
23 Peter Easton. The time is 4:21.
24 Going off the record.

16:22:14 25 (Off video record.)

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16:22:25 1 MS. JONES: At this time,
2 I'd just like to designate the
3 transcript highly confidential under
4 the protective order.

16:22:33 5 THE REPORTER: Okay. We're
6 off the record.

7 (Whereupon, the deposition
8 concluded at 4:22 p.m.)
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1 STATE OF NEW YORK)

2) ss:

3 COUNTY OF NEW YORK)

4 I hereby certify that the witness in the
5 foregoing deposition, PETER DOUGLAS EASTON was by me duly
6 sworn to testify to the truth, the whole truth and
7 nothing but the truth, in the within-entitled cause; that
8 said deposition was taken at the time and place herein
9 named; and that the deposition is a true record of the
10 witness's testimony as reported by me, a duly certified
11 shorthand reporter and a disinterested person, and was
12 thereafter transcribed into typewriting by computer.

13 I further certify that I am not interested in
14 the outcome of the said action, nor connected with nor
15 related to any of the parties in said action, nor to
16 their respective counsel.

17 IN WITNESS WHEREOF, I have hereunto set my hand
18 this 7th day of December, 2021.

19 Reading and Signing was:

20 ___ requested ___ waived _X_ not requested.

21
22 
23

24 BRIDGET LOMBARDOZZI, CSR, RMR, CRR
25